

Asset Allocation Insights

QUARTERLY REPORT | MARCH 2026

USD EDITION

Geopolitics disrupts otherwise robust global backdrop; EM remains resilient. Markets pricing a swift resolution is a key risk. AI disruption opens jaws between hardware & software.

Geopolitical risk steps up a gear

Circa. 25% of all seaborne oil passes through the Straits of Hormuz (IEA, Feb 2026) meaning a protracted closure could significantly impact energy markets. The most affected economies are those with high net energy imports: Europe, Japan, Korea, China & India. As a net energy exporter, US assets have attracted a safe-haven bid since the conflict began.

Markets pricing a swift resolution to the crisis in the Middle-East

Oil futures in backwardation (spot prices higher than forwards), breakeven inflation markets and out-of-the-money (OTM) equity options all point to markets expecting a swift resolution. This represents an asymmetry in risk if the conflict becomes more protracted.

Equities tend to look through conflicts and macro looks robust

If the conflict persists, US equity and the US dollar may remain relatively well bid. Otherwise, macro looks robust – forecast real GDP for the world is up, macro data has been beating expectations and analysts are revising up equity earnings expectations.

Tech hardware and software disconnected due to AI

Markets have questioned if AI could disintermediate traditional software companies, leading to c. 20% gap in software-hardware 3M performance. This has boosted the returns of producers of AI hardware and may be the start of productivity gains from AI showing up outside of tech.

Spotlight on South Korea: the picks and shovels of AI

FTSE Korea returned ~188% over 12M; the top performing equity market globally. Despite this returns were predominantly from higher earnings expectations & valuations aren't stretched. Korea has a circa 80% share of High Bandwidth Memory (HBM), essential for AI infrastructure.

Steeper curves, with high cash rates make longer duration bonds look attractive

Duration and Inflation-linked bonds look attractive. (Public) Credit may seem expensive with tight spreads but lower duration and better credit quality may imply a new regime for Credit.

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Chart 1: Op Epic Fury has had the largest reaction to oil prices of 30 geopolitical flash points we have looked at back to 1980; the closest similar move came from the 1990 Iraqi invasion of Kuwait.

Rebased returns around flash points: Brent Crude

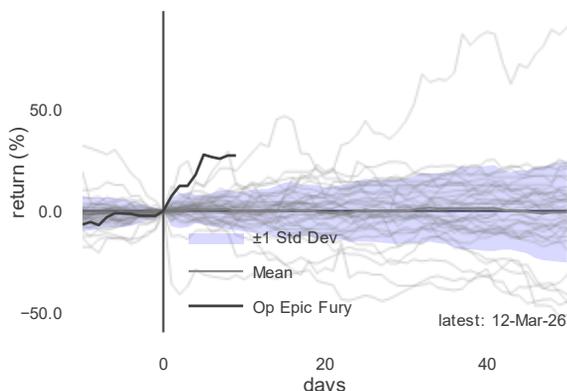
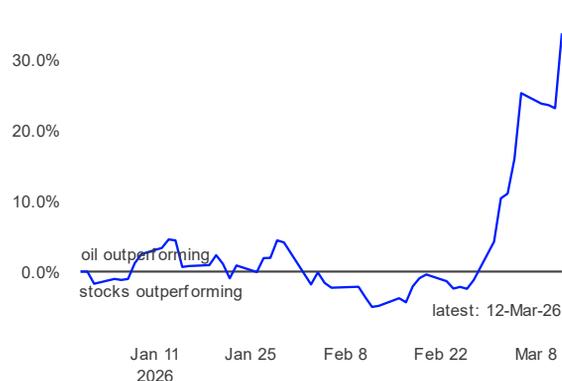


Chart 2: Since the start of the conflict in Iran the price of Brent Crude has rallied >30% more than the FTSE All World Energy Index indicating markets aren't expecting sustained higher oil prices.

Brent relative to FTSE All World Energy



Source: FTSE Russell/LSEG and US Federal Reserve. All data as of February 28, 2026 unless otherwise stated. Past performance is no guarantee of future results. This report should not be considered "research" for the purposes of MIFID II. Please see the end for important legal disclosures. Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.

Financial Markets Overview

Macro: Geopolitical risk is elevated with the start of Operation Epic Fury. From a global market's perspective, the primary transmission vector is via energy markets. Iran itself only produces 1.7mb/d of oil, 90% bound for China, but circa. 25% of all seabornd oil (~20mb/d) passes the Strait of Hormuz, mostly destined for Asia, making its safe passage critical for energy security. Japan & Korea would potentially be worst affected, given both have >85% dependency on imported energy. The IEA agreed to a [release of 400m barrels](#) (of ~1.8 billion) to ease market pressure. Additionally China doesn't publish their strategic oil reserves, but analyst [estimates are between 1.1-1.4bn barrels](#) equivalent to ~140 days of demand.

Looking away from the conflict in the Middle East, global macro has been looking positive. Macro data had been surprising to the upside, leading to positive revisions and higher real GDP forecasts in the Reuters Polls. The Supreme Court ruling on the unlawfulness of some tariffs amplifies uncertainty about US policy – corporate reaction functions, final tariff rates, and potential rebates are all uncertain which will likely appear in rates volatility.

Equities: FTSE All-World returned 5.7% over 3M (4.5% YTD, 11 March) driven by Developed Asia. A key development from October has been the disconnect between technology hardware and software, which was driven by concern over AI's ability to disintermediate software providers. This disconnect drove hardware stocks higher – supporting Taiwan and Korea as key suppliers of AI infrastructure. This could mark an important phase in the AI rally. As a net energy exporter, the US has been a defensive equity play since the start of the conflict: FTSE USA down -1.4% vs. Dev ex US at -6.6% & Emerging at -4.3% (MTD to March 11, 2026).

All World Basic Materials was the top performing industry YTD, with the materials rally broadening beyond precious metals to include industrial metals, which had gained from demand for energy transition commodities. The US, with a high concentration (circa. 55%) in Technology and Consumer Discretionary lagged the All World. MTD Energy and Tech are the only positive Industry, although the relatively modest outperformance of Energy underscores how markets aren't expecting sustained high energy commodity prices.

Fixed Income (Rates & Credit): Long government bonds, both nominal and inflation-linked, look attractive. The 20s/2s slope has steepened, meaning investors are being rewarded for holding duration. The relatively steep slope sits on top of attractive cash rates making all in yields supportive for long bonds. Linkers are attractively valued, vs their own historical levels, and relative to nominals (breakeven inflation now only ~2%). In the credit space, historically tight spreads reduce their relative appeal, but the evidence of a new regime in credit - better credit quality, shorter duration profile, and still-high nominal yields – may suggest credit is less expensive than implied by spreads alone.

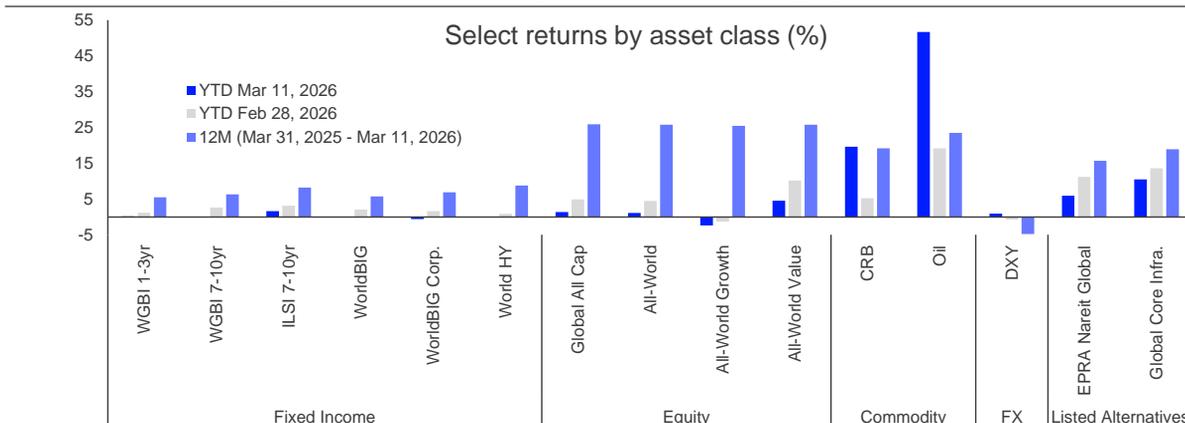
Emerging Markets: The outperformance of EM equities relative to DMs in 2025 extended into 2026, with EM equities gaining 8.4% by end-Feb, doubling DM gains of 4.1%. Tensions in the Middle East triggered a sharp sell-off in both DM and EM equities, but it has not altered the broader narrative of EM outperforming DM (YTD by March 11, EM 3.7% vs DM 0.8%); although the appeal of EM assets is being tested with a stronger US dollar amid geopolitical tensions. China equities rallied earlier this year but pared gains after regulators raised margin requirement ratio for leveraged stock purchases. EMs also outperformed DMs in sovereign bond markets over 3M and 12M. Net foreign buying of EM equities and bonds has been robust since 2025.

Commodities: Rallies in precious metals persisted over 3M, with silver gaining 67% and gold returning 25%. Gold-silver ratio has returned to modern average. Escalation of Middle East conflict has pushed the oil price sharply higher, reaching YTD returns of 51.7% by March 11. Risks to near-term oil supply disruption had partially been priced in by end-Feb, leading to 19.2% returns. Oil forward curve is now in a deep backwardation, as the oil market outlook over the longer term remains tilted toward oversupply.

Currency: By end-Feb, non-USD currencies had extended their rally against the US dollar, led by Australian dollar (up 8.7% over 3M supported by rate hike expectations). EM currencies, including South African rand and Mexican peso, also appreciated by up to 7.6%. Strong returns, combined with lower average volatility over 1Y vs 10Y, mean higher risk-adjusted gains for EM FX compared with both their historical norms and DM currencies. Since March, however, rising safe-haven demand and the perception of the US as a beneficiary of higher oil prices have shifted dynamics, driving a stronger US dollar.

Cross-asset: Equity valuations remain elevated relative to the real economy and bonds. In contrast, equity valuations vs gold have declined to their lowest level in a decade. Relative values of commodities have improved vs both bonds and equities.

Chart 1: YTD, as of March 11, Commodities (19.6%) outperformed equities (All-world 1.1%), largely driven by oil (51.7%). Within equities, Value (4.5%) outpaced Growth (-2.4%). Inflation-linked (ILSI 7-10YR 1.6%) posted returns higher than nominal sovereign and corporate bonds YTD. Listed Alternatives (YTD returns of 5.9-10.5%) significantly outperformed equities. YTD gains by end-Feb were largely erased by March moves across equities, FI, and Alternatives. But US dollar has appreciated since March, benefitting from the US status as an energy exporter since the Shale revolution around 2015.



Source: FTSE Russell/LSEG. All data as of February 28, 2026 unless otherwise stated. Past performance is no guarantee of future results. This report should not be considered "research" for the purposes of MiFID II. Please see the end for important legal disclosures. Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.

Macroeconomic Backdrop

Geopolitical risk has increased with military action in Iran. From a market perspective, the largest impact is via energy markets, making the Strait of Hormuz critical.

Around 25% of seabound oil and 20% of LNG passes through the strait, mostly supplying Asia. This leaves Japan & Korea most vulnerable as the largest Asian net importers of energy; followed by India and China. Options markets have shown tail-risk hedging of energy prices – which may mitigate price disruption impacts in the short term.

Outside geopolitics, the global macro environment looks robust and has strengthened over 3M. The Reuters Poll estimates of real GDP for FY2026 have increased in most regions – notably, the US increased to 2.5% (vs. 1.8% in November) driven by activity data consistently surprising to the upside YTD. Using Composite PMIs most regions are in expansionary territory (>50) or are improving.

Inflation expectations from swaps, show expectations of US 2Y CPI around 2.4%; above the Fed target but not concerningly so. European expectations have been stable, slightly below 2%, but the UK, after trending lower, has spiked up to ~3.4% again.

Chart 2: A persistent spike in energy prices would most affect the largest net importers – which includes Europe, Japan (87%), South Korea (85%) and to a lesser extent China (24%) and India (36%).

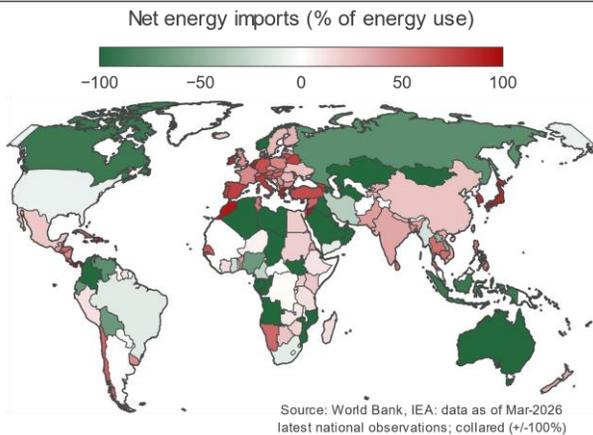


Chart 4: We consider returns of the Russell 1000 for 50-days after geopolitical conflicts (30 going back to the 1980 Iraq-Iran war) and find, on average, the index was either unaffected or recovered quickly.

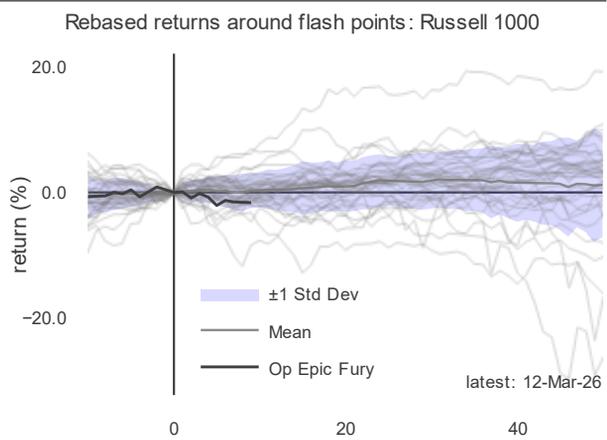


Chart 1: Since Nov-25 there have been notable upgrades to 2026 real GDP forecasts. Most notably the Reuters Polls for US Real GDP are up 0.7% to 2.5% & India is up 0.6% to 7.4%; only the UK's has fallen.

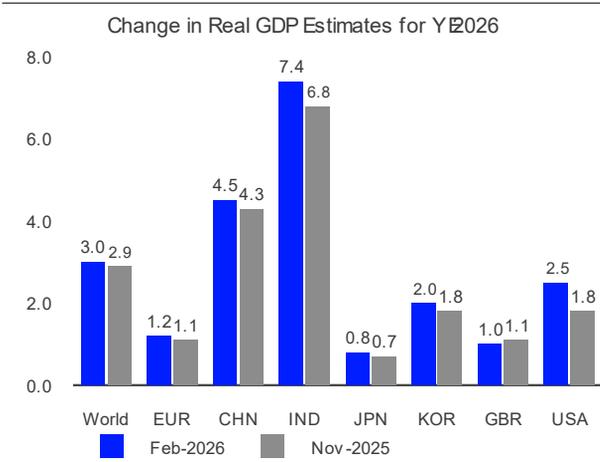


Chart 3: Cross-sectional look at composite PMIs points to robustness in the global economy going forward. Most markets are in expansion (>50) with many improving over 3M (darker green / less red).

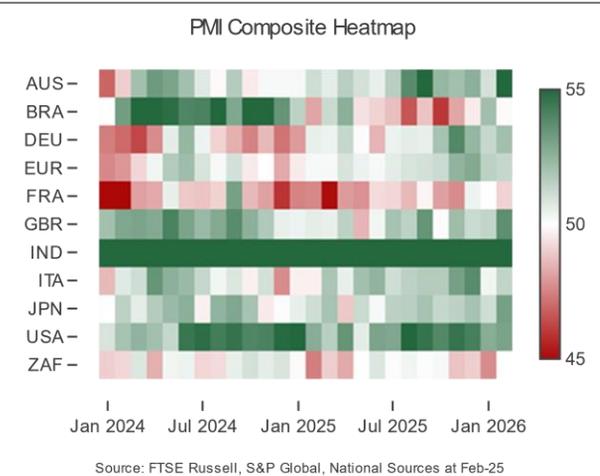
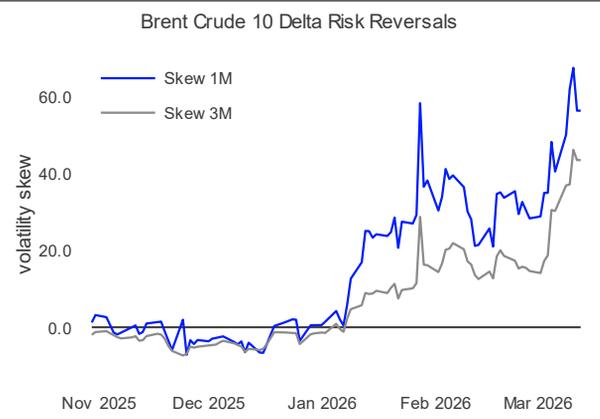


Chart 5: Energy markets started hedging the risk of escalation in the Middle East at the start of the year. Options markets developed call-side skew, meaning higher costs to protect upside shocks in oil prices.



Macroeconomic Backdrop (Continued)

In 2025, the US Treasury raised c. \$270 billion via tariffs, a lot of which was deemed unlawful by the US supreme court. The question is – what next?

The administration immediately used Section 122 (Trade Act 1974) to raise reciprocal tariffs, although those only last 150 days without congressional approval. [NBER \(Cavallo, 2025\)](#) est. 0.7ppt of CPI (YoY Sep-25) was a result of a ~20% tariff passthrough; implying roughly a 3.5ppt total increase in CPI if corporates keep raising prices to defend historic margins. That could lead to structurally higher goods inflation.

If tariffs are eased, it is unlikely corporates will lower prices, creating asymmetry in goods inflation, with the risk to the upside. [Corporates have begun to sue](#) to recover duties paid – this could lead to windfall gains for US corporates, but the litigation process is unlikely to be quick (or transparent).

In Japan the snap general election led to the LDP gaining a supermajority in the lower house of the Diet. We discuss in [Can the rock star of Japanese politics drum to the beat of the market?](#) how this increases the probability of her record ¥122.3 trillion FY 2026 budget passing undiluted and potentially sets the stage for further fiscal stimulus.

Chart 2: Although philosophically aligned, Takaichi inherited a very different macro environment to Abe. Despite plans for record fiscal stimulus the Yen didn't depreciate meaningfully after the election.

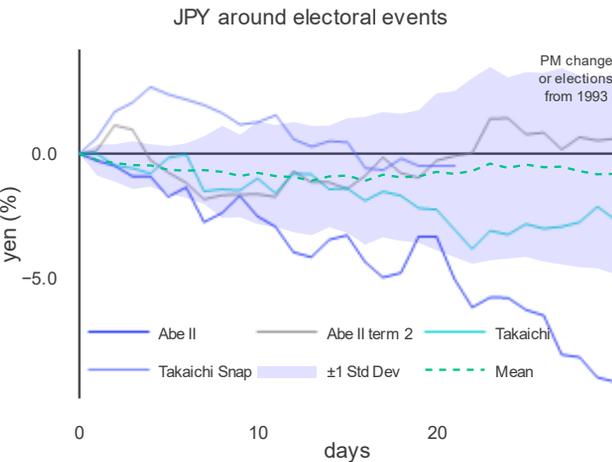
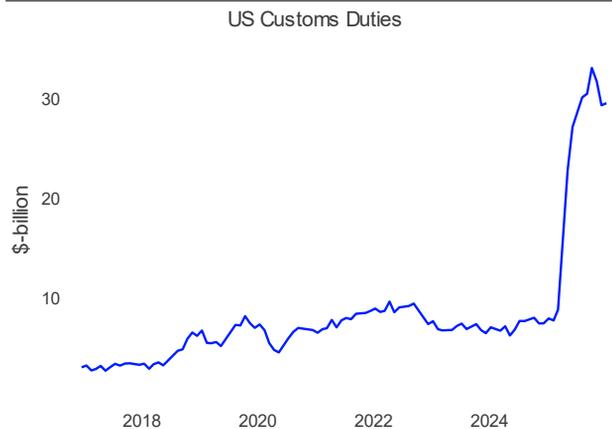


Chart 4: Duties raised, largely by tariffs, were running at >\$29-billion in December. Uncertainty over future tariffs, trade negotiations off the back of tariff deals, and rebate mechanisms may add to rates volatility.



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Chart 1: 2Y Inflation swaps show Euro inflation stable at ~1.8%. US CPI is expected to average 2.4%; above the Fed target but < 3.0%. After trending lower in 2025 UK inflation expectations have risen to 3.4%.

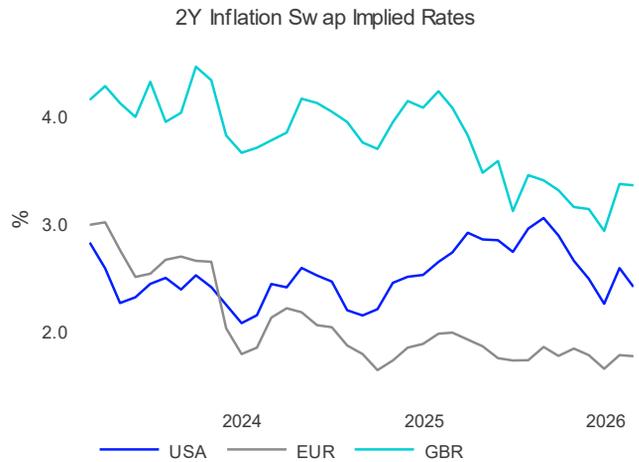


Chart 3: If the NBER estimate of a 20% passthrough is correct, then corporates may continue to raise prices YoY leading to structurally higher flexible inflation (primarily from higher goods prices).

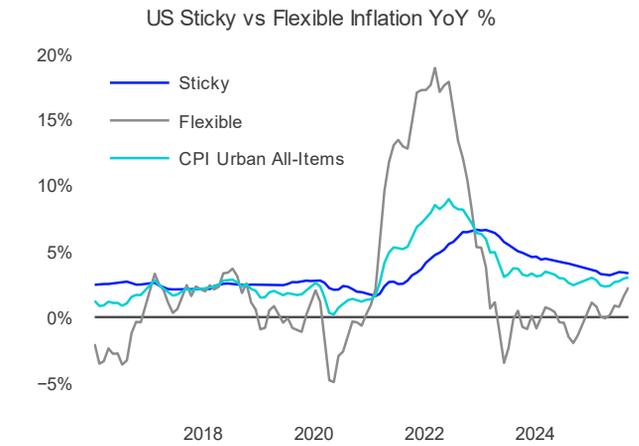
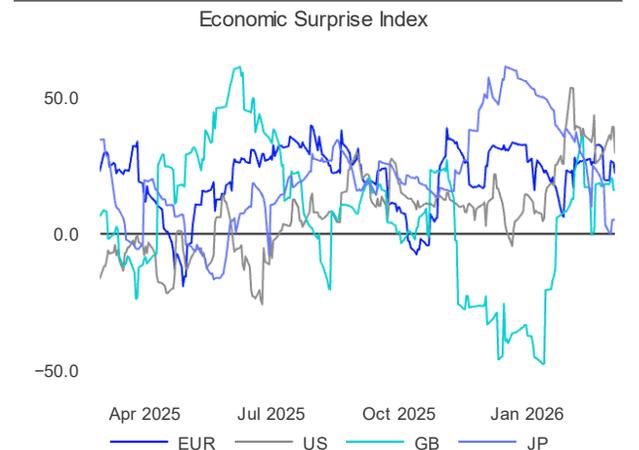


Chart 5: Revised GDP numbers & improved activity data in the US have driven positive economic surprises. Positive surprises in Japan have come down as analysts have upgraded estimates. Source: Citi.



Sovereign Yield Curves

With yields normalized to pre-GFC levels and yield curves regaining a positive slope, valuations of long conventional sovereigns and inflation-linked bonds look very attractive, relative to their own history and to richly valued equities.

7-10yr conventional sovereign bonds in G7 have been offering yields around pre-GFC norms. World 7-10yr real yields (1.56%) are near 10-year highs, implying cheap valuations for inflation linkers relative to their long-term history. (Charts 1&3)

The case for longer duration has strengthened, as G7 20s/2s yield curves have steepened to ~125 bps (Chart 4, with UK at 150 bps & Japan at 211bps) by end-Feb, implying investors are getting rewarded for holding duration. Besides the meaningful term premium, US 20yr+ absolute yields (4.67% in Feb, Chart 5) were at notably higher levels; the curve last had this gradient in Dec 2021 (1.91%) and Oct 2017 (2.83%). The case for de-risking from equities for LDI is reinforced with long yields at these levels.

JGB 20s/2s curve has bear steepened substantially, now steeper than G7 peers. Both reduced longer-bond purchases by the BoJ and lower demand from life insurers (front-loading longer JGBs prior to the regulatory change effective April 2025) have largely driven the curve steepening, despite tightening monetary policy having pushed short yields higher.

Chart 2: Outside Japan, major nominal 5-10yr yields were lower over 3M, driven by real yield moves, while geopolitical tensions drove inflation expectation higher. JGB yields were higher on positive growth outlook.

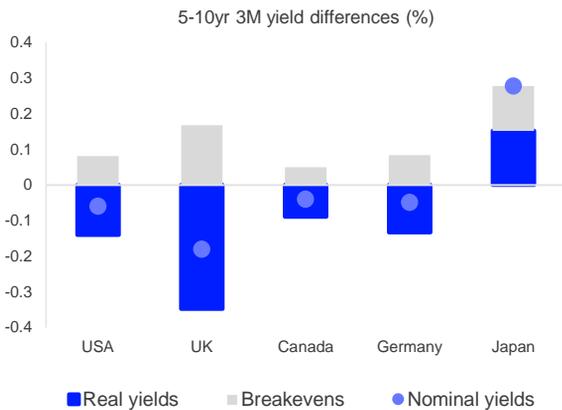


Chart 4: US 20s/2s curve has re-steepened to an upward slope last seen in Dec 2021. This points to a recovery in term premium, with investors once again being compensated for holding longer duration.

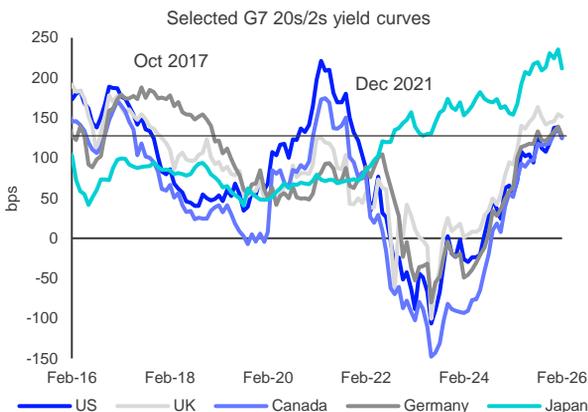


Chart 1: US 7-10yr yields have held up well at 3.8%+ since 2023, implying a return to pre-GFC norms of 3-5%. Yields in the UK and Germany also stayed near cycle highs. JGB 7-10yr yields have continued the structural shift to higher yield since the end of curve control, reaching 2%.

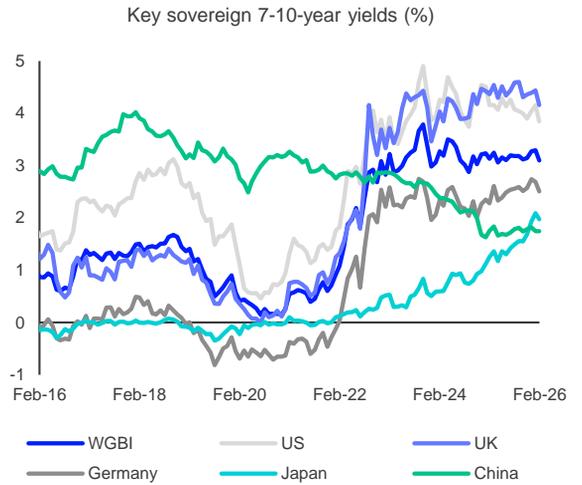


Chart 3: Despite recent modest decreases, real yields on inflation-linked bonds stayed near cyclical highs, with world 7-10yr real yield at 1.56% by end-Feb. Valuations of linkers look compelling on a historical basis.

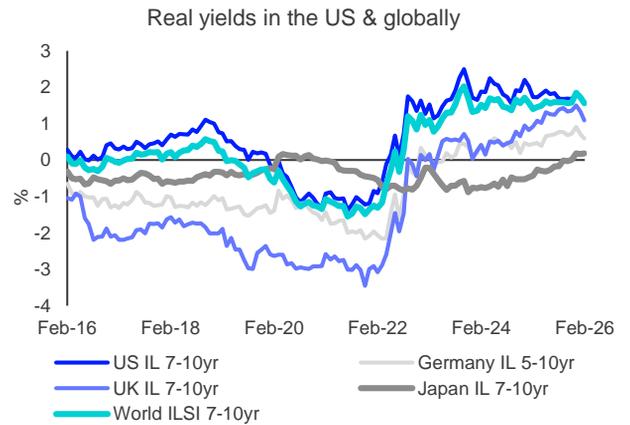
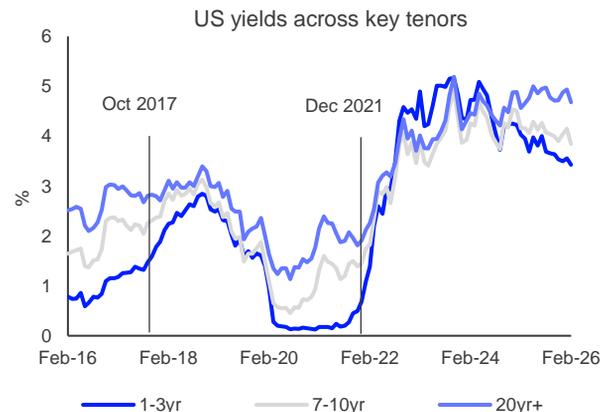


Chart 5: Beyond the recovery in term premium, long yields are materially higher than in 2021 (4.7% in Feb vs 1.9% in Dec 2021) and 2017 (2.8%), with similar curve slope. This strengthens the case for adding duration.



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Credit

Credit markets extended their gains over 3M, in line with sovereigns. Although spreads alone suggest credit is expensive, it is much less so if adjusted for improved quality, shorter duration, and still-high nominal yields.

Corporate bonds continued to deliver positive returns, gaining up to 3.3% over 3M and posting strong returns over 12M, led by Euro bonds (IG 17.3% and HY 18.7%). Euro credit has consistently outperformed, while EM credit has kept pace with or outperformed US markets (Chart 1).

Credit spreads remained close to 10-year lows worldwide, despite modest widening from the mid-2025 cycle trough. Notably, EM spreads were not materially wider than their US and Euro peers, suggesting improving EM fundamentals.

The evolution of credit spreads is more multifaceted than headline tight levels suggest. Sovereign credit quality has deteriorated, with debt-to-GDP ratios rising in the US and Europe since 2023. In contrast, credit quality in the private sector has improved, particularly in HY, while durations have shortened in US and Europe – both supporting spread compression (Charts 4&5). In EM, duration has remained broadly stable, implying spread resilience, driven more by the structural re-rating of EMs*.

Chart 1: Over 12M, Euro corporates significantly outperformed EM and the US, in both IG and HY, largely helped by a stronger Euro. 3M returns show a similar pattern. EM HY (3.3%) and Euro HY (3.2%) led 3M gains.

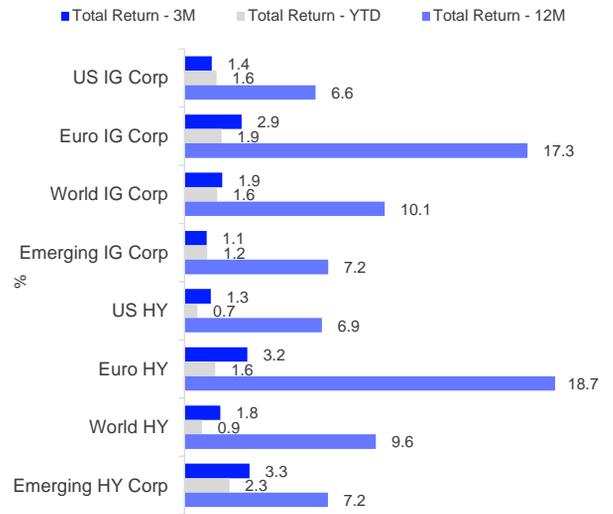


Chart 3: HY spreads also widened modestly from their mid-2025 cycle lows, with US widening due to Feb moves. EM spreads did not show the outsized gap with Euro and US seen during Covid and rate-hike cycle.

Chart 2: IG credit spreads widened to the highest levels since June 2025 globally. However, spreads remained near 10-year lows. EM spreads were much closer to US and Euro peers than 10 years ago.

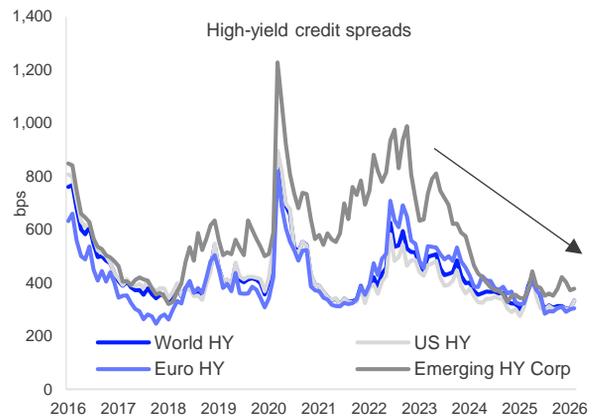
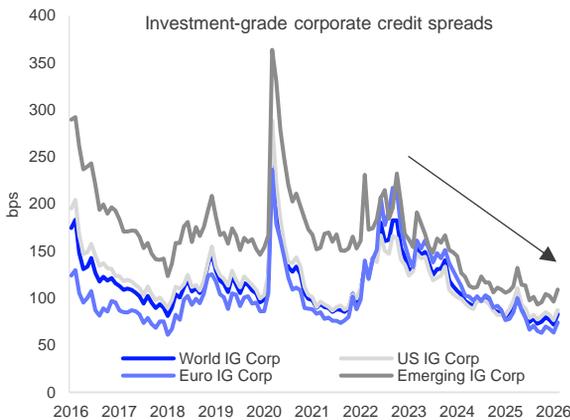
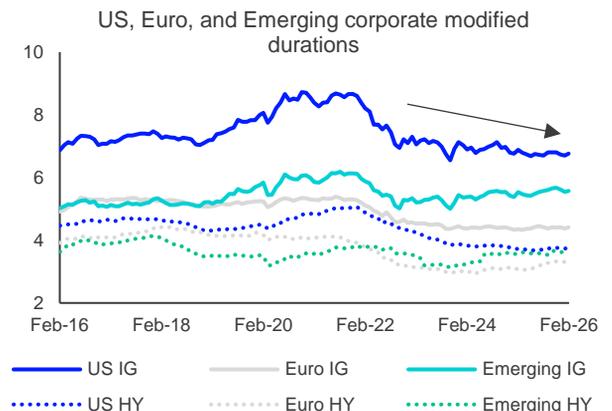
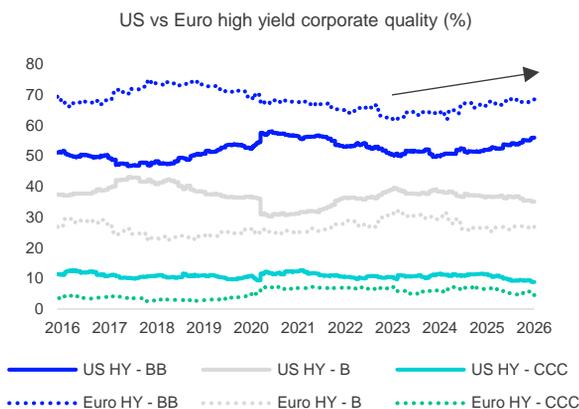


Chart 4: Credit quality of the high yield universe has improved since 2022-23, alongside spreads compressing to 10-year low levels. Better credit quality may partially explain tighter spreads lately.

Chart 5: Shorter durations in US and Euro corporate bond markets may also help explain tighter spreads, as investors favor locking in carry in high-rate environments (2023-25) while limiting longer-term rate risk.



Source: FTSE Russell/LSEG. All data as of February 28, 2026 unless otherwise stated. Past performance is no guarantee of future results. *Emerging: The structural re-rating of Emerging Markets | LSEG. This report should not be considered "research" for the purposes of MIFID II. Please see the end for important legal disclosures. Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.

Spotlight: Relative value in different parts of Fixed Income

Longer-dated sovereign bonds, both conventional and inflation-linked, offer relative and absolute value given elevated yields and tight credit spreads.

Bond yields have risen considerably and stayed elevated over the past 5 years, across gov. and corp. bond markets, resulting in more attractive valuations relative to 2021, before global rate hikes. Latest oil shock may drive yields higher as markets scale back expected rate cuts by the Fed.

Real yields on inflation-linked bonds, particularly at the longer-end, stayed at levels that have historically proved attractive entry points (Chart 3). Linkers are also relatively cheap compared with conventional government bonds and credit, as breakeven inflation (BI) rates have dropped from 3-4% levels seen in 2022 and stayed ~2% (Chart 5). However, BI rates have risen since the US-Iran war, particularly in 1-3yr, although the rise has been less pronounced than the sharp spike seen after Russia's invasion of Ukraine. In credit markets, tight spreads reduce their relative attractiveness, but a likely new regime in credit should be borne in mind. Should geopolitical tensions trigger a sustained risk-off environment, government bonds would likely outperform both equities and credit (where spreads have fallen a long way), even in a scenario involving stagflationary pressures.

Chart 2: Sovereign nominal yields stayed at relatively high percentiles. Over 12M, 1-3yr yields declined due to policy easing; while 20yr+ yields increased, implying more value in longer sovereign bonds.

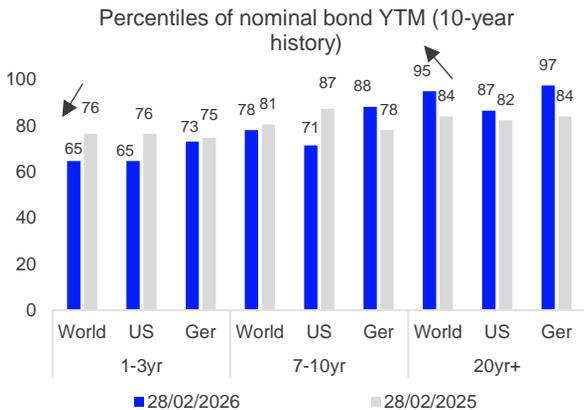


Chart 4: Relatively low spreads across 10-yr, at 9-16th percentile, imply higher valuations in credit. However, it's less expensive (page 6) when considering the structural and fundamental change in the credit market.

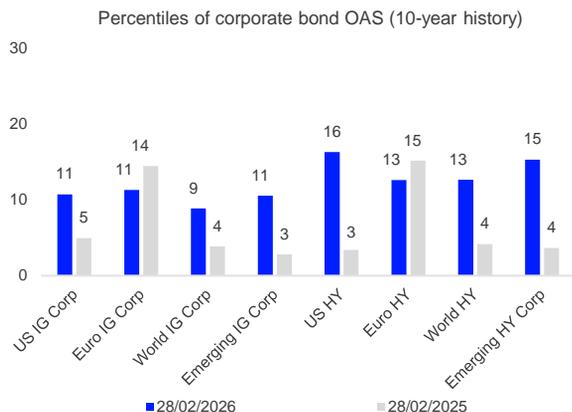


Chart 1: Yields across fixed income markets remained materially higher than 5Y ago, prior to the rate-hiking cycle. Alongside nominal yields, real yields have increased to more compelling levels, from negative yields. Inflation-linked bonds have become relatively cheap vs nominal and credit.

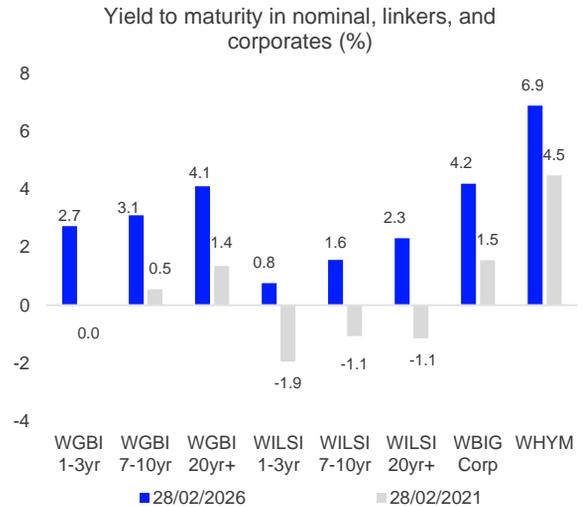


Chart 3: Real yields on linkers were in the 0.8-2.5% range, historically attractive entry levels. Ongoing geopolitical tensions continue to pose upside inflation risks, underpinning demand for inflation protection.

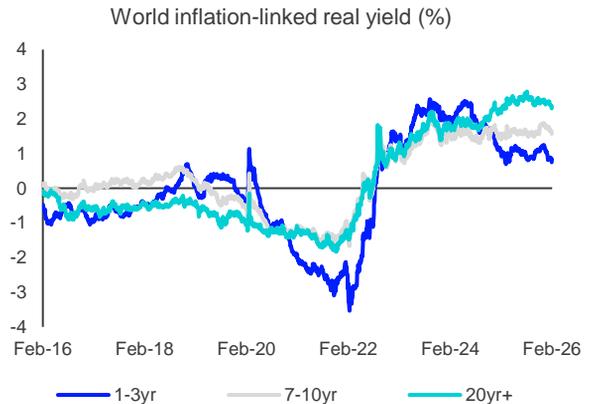
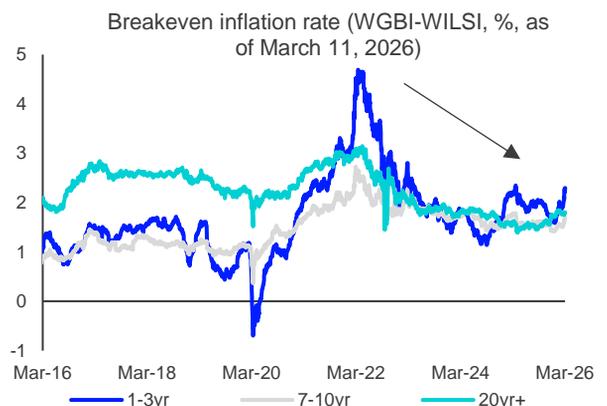


Chart 5: Market-implied inflation rate has sharply fallen from 3-4% after Ukraine shock in 2022 & remained around 2%. BI rates have risen since March, most notably in 1-3yr, and the rise is greatest over shorter tenures.



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Spotlight: South Korea – the picks and shovels of AI

The FTSE Korea index has returned 187.5% over 12M, making it the top performing country index – can the momentum continue?

Decomposing Korea’s 12M return, the primary driver was improved earnings expectations which accounted for 132-ppts, with 22-ppts coming from multiple expansion (remainder being dividends & interaction effects). This means that despite the stellar performance, forward price/earnings valuations aren’t stretched, at least relative to peers; the FTSE Korea Index has a forward PE of 10.3x which is in the 63rd percentile vs. DM in the 84th and EM in the 87th percentiles vs. their own 10Y history.

Korean companies play a critical role in AI infrastructure, being the dominant supplier of High Bandwidth Memory (HBM) with a circa. 80% market share. HBM is critical because the bottleneck in AI workloads is often the [memory bandwidth](#) not the compute power. This makes Korea a “picks and shovels” play on the AI theme.

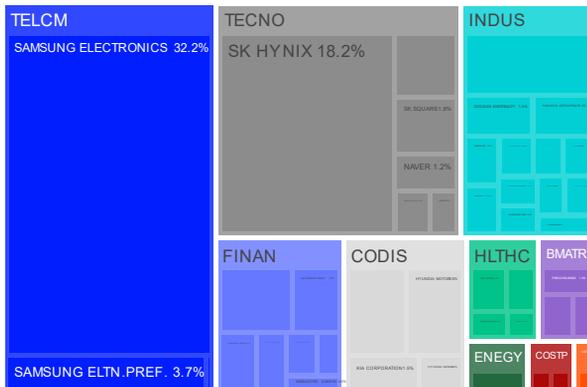
Alternatively, looking at price/book (PB) Korea is in the 100th percentile. In our [Global Equity Insights](#) report we show that despite PB being extreme relative to its own history, at 2.3x

Chart 1: Korea is the top performing country market in the world over 12M. There has been a material drawdown since the start of the Iranian conflict driven by concerns over South Korea’s energy security.



Chart 3: The FTSE Korea index has a 60.7% weight between the Telecommunications (36.0%) and Technology (24.7%) industries; with Samsung Electronics making up about 35.9ppts of Telecoms.

FTSE Korea Index Weights



Source: FTSE Russell/LSEG. All data as of February 28, 2026 unless otherwise stated. Past performance is no guarantee of future results. This report should not be considered “research” for the purposes of MIFID II. Please see the end for important legal disclosures. Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.

FTSE Korea looks fairly value relative to its ROE, when compared to other developed markets. Korea has persistently looked cheap in part because of poor corporate governance – a function of the Chaebols (large, family controlled, conglomerates) that exert significant influence over listed firms. But this is something authorities are trying to address – with a combination of carrot and stick.

The carrot is the Value Up program, which has benefits like tax breaks for improving dividend payout ratios and preferential tax treatment for meeting disclosure and capital-efficiency standard.

Potentially more significant is the stick, where amendments to the Commercial Act are empowering minority shareholders at the expense of the Chaebols. Firstly, company directors now have a fiduciary responsibility to shareholders not just the firm itself. Secondly, the legal requirements for shareholder meetings have changed to be modernized (e.g., compulsory online meetings and English disclosures); authorities are currently looking at further amendments to increase protection against share price manipulation.

Chart 2: At 10.3x the Forward PE of the FTSE Korea Index is not challenging in absolute terms, or relative to Korea’s own history – where it is one of very few key markets trading close to its own 10Y mean.

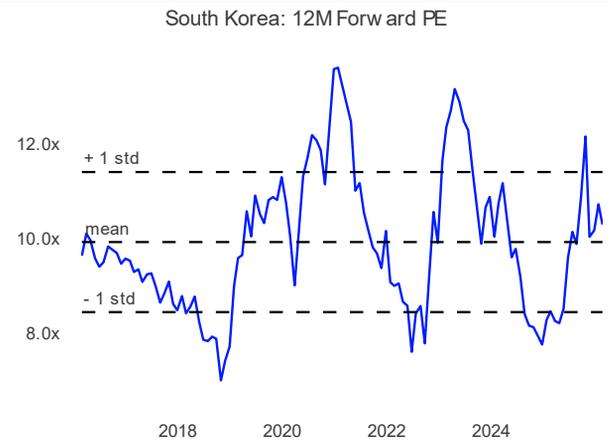
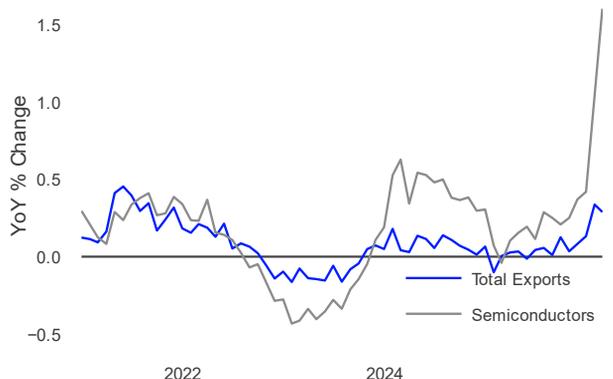


Chart 4: Korean companies have a ~80% market share of High Bandwidth Memory (HBM) a critical, supply constrained, component in AI workflows which has driven enormous export growth.

Growth of Korean Semis



Equities

YTD (to 11 March) the FTSE All-World returned 4.5% despite a 3.3% sell off that started with the Iranian conflict. The US & China, who performed worst over the preceding 3M & 12M, have caught a safe-haven bid.

The US is benefiting from being a net energy exporter and strong balance sheets from tech firms, which has led to the market treating technology as a defensive industry.

Basic Materials (34.1%) & Telecoms (21.5%) were the top performing industries YTD (11 March). Materials gained from precious metals and from strong energy transition commodity demand; Telecoms were primarily driven by Samsung. Relatively muted Energy returns point to the market pricing a relatively swift end to the Middle East crisis.

Away from Iran, a key development was the jaws opening between tech hardware & software (+4.3% vs -12.4% YTD 11 March), with concern AI may disintermediate software providers. Shifts to hardware supported gains in EM & Dev APAC ex Japan, big producers of AI infrastructure. This may also mark a new phase for AI, where productivity gains show up outside of tech.

Chart 2: Correlation between tech software & hardware has broken down over concerns AI could disintermediate software companies

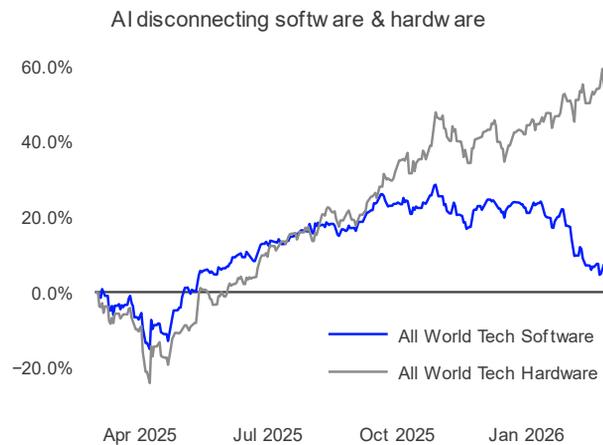


Chart 4: Over 12M Basic Materials generated a Sharpe ratio > 4.0. Healthcare, Real Estate & Consumer Discretionary had a Sharpe < 1.0.

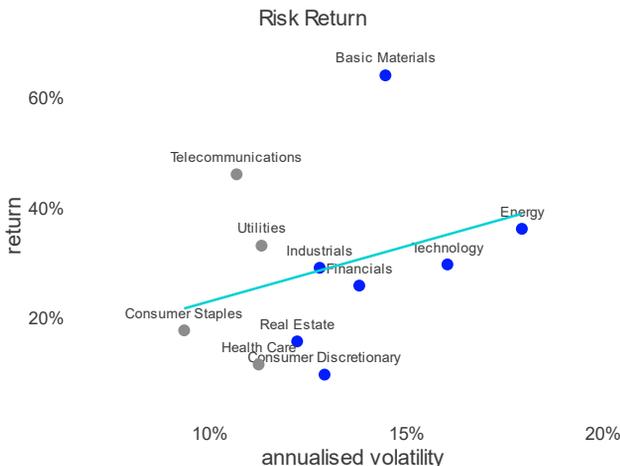


Chart 1: Since the start of the conflict in Iran trends have reversed, with the US & China, previous worst performers, being relative safe-havens.

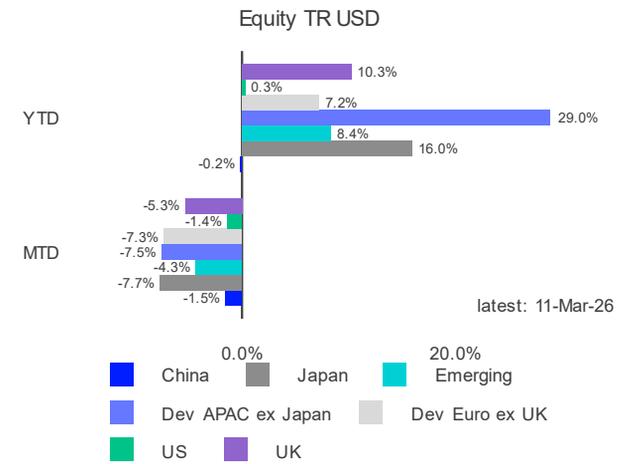


Chart 3: Basic Materials & Telecoms were the top performing industries over 3M with Tech & Consumer Discretionary posting negative returns.

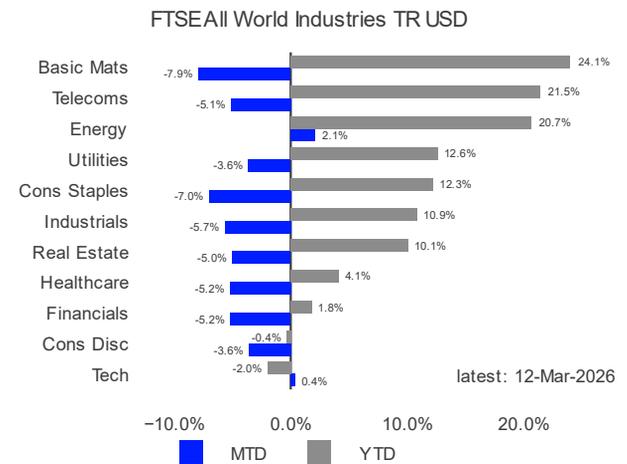
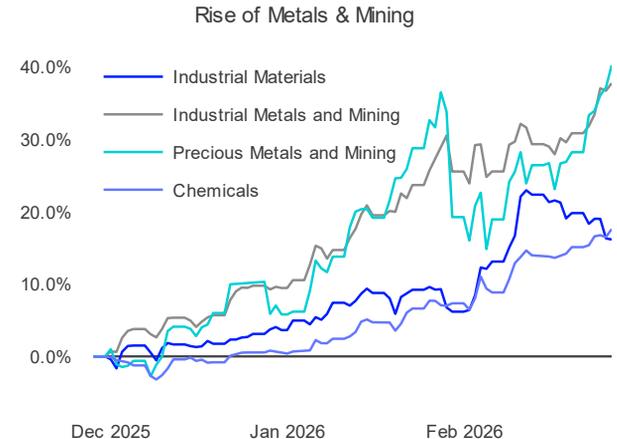


Chart 5: Basic Materials is more than precious metals. Energy transition commodities lead strong returns from Industrial Metals & Mining.



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Equities (continued)

Decomposing 12M returns, the US & Developed APAC ex Japan were broadly driven by improved earnings expectations. Meanwhile Japan was mostly multiple expansion; other major markets were broadly balanced.

In Dev APAC ex Japan, earnings expectations have ratered strongly higher, driven by Korea where the 3M change in the 12M forward EPS is >60%. Japanese earnings expectations are also up 4.3% over 3M boosted by the LDP supermajority in the snap general election in February.

Japanese prices have run ahead of earnings upgrades - pushing up the proportion of return from multiple expansion. This is also observable in Japanese valuations which have ratered to the 93rd percentile (vs 10Y history). This may still be reasonable in absolute terms if corporate governance reforms succeed in boosting ROE. Over 3M the US has derated to the 75th percentile, driven by better earnings expectations; although 21.9x is still high in absolute terms.

Fund flows over 3M remain dominated by APAC & EM. European, global and Japanese funds saw inflows. US funds broadly were flat, after experiencing redemptions in 2025.

Chart 2: Broadly, the US to ex-US valuation gap has tightened over 3M as US earnings expectations improved & ex-US is trading slightly richer.

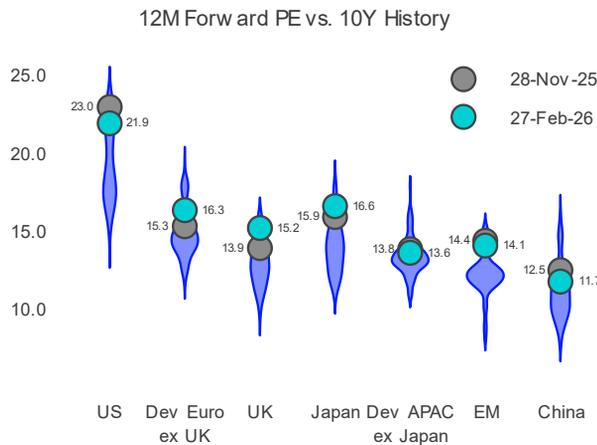


Chart 4: Equity fund flows over 3M & 12M showed strong subscriptions into APAC, EM and European vehicles. Source: LSEG Lipper.

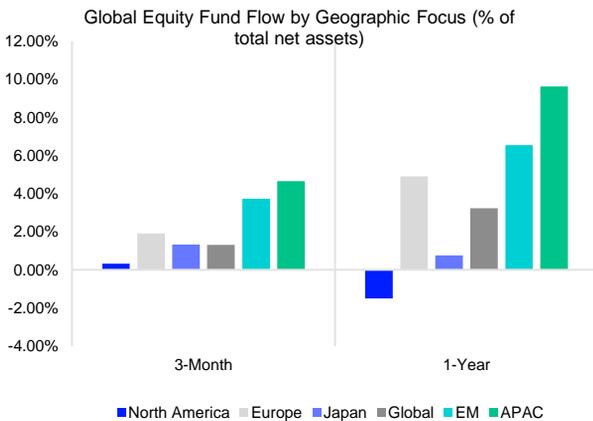


Chart 1: Decomposing 12M returns shows that most equity returns were balanced between higher earnings expectations & multiple expansion.

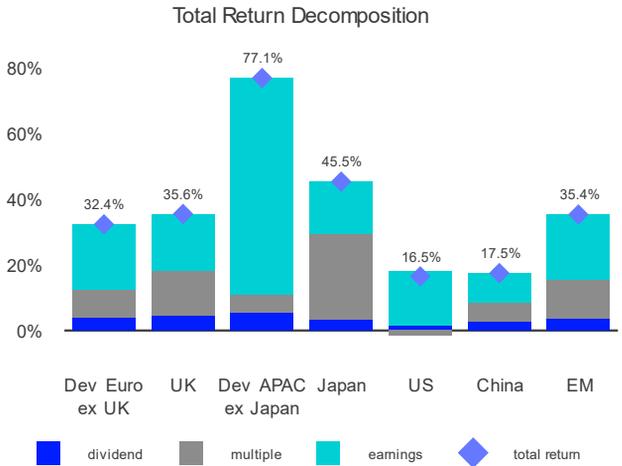


Chart 3: Developed APAC ex Japan has had a circa 24% increase in EPS estimates over 3M. Estimates for Japan rose 4.3% over the period.

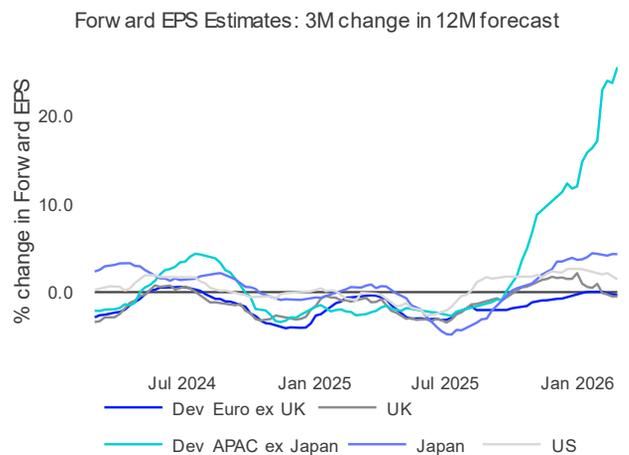
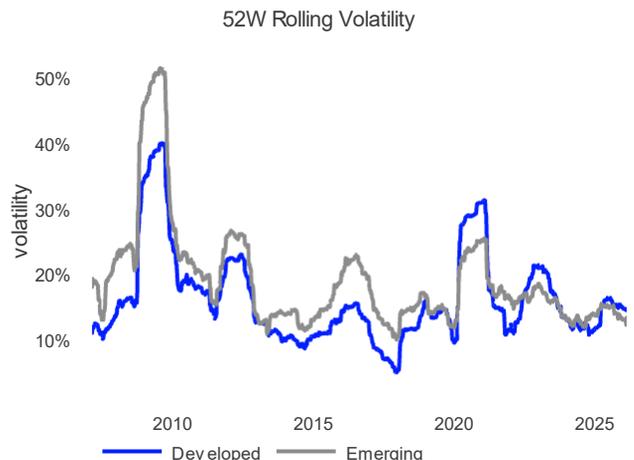


Chart 5: Volatility of Emerging equity (in USD) has been declining. EM volatility has been lower than DM & since 2020 has had lower vol-of-vol.



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Emerging Markets

EM assets have staged a rapid catch-up vs DMs since 2025, with equities supported by Technology and firm commodity prices and bonds benefitting from improving fundamentals. The appeal of EM assets is being tested as the US dollar rebounds amid geopolitical tensions.

Real GDP growth in EM economies remains resilient, as the IMF revised upwards 2026 growth forecasts for EMs in January, providing fundamental tailwinds to EM assets.

EM equities have outperformed DMs in recent 12M and 2026 YTD, marking a reversal of the long-term trend of EM lagging DM. The sharp sell-off in March has not altered the broader narrative of EM outperforming DM YTD. Region wise, Taiwan (91.7%), South Africa (62.9%), Brazil (54.9%), and Mexico (54%) led EM gains over 12M. But South Africa was hit harder (-12.4%, MTD March 11) by US-Iran conflict than its EM peers (MTD losses of 1-8%), given its heavy reliance on oil imports. EMs also outperformed DMs in sovereign bond markets (Chart 4), led by South Africa following its sovereign credit rating upgrade.

Net foreign purchases of EM equities and bonds have been robust since 2025 (except the April tariff shock), reaching almost 100 billion USD in Jan - a multi-year high (Latin America dominated equity inflows, while Emerging Asia accounted for the bulk of debt inflows).

Chart 2: Despite steep pullbacks, Taiwan, South Africa, Brazil and Mexico equities have outperformed EM peers since March 2025. China fell back since mid-Jan due to margin increases by regulators.

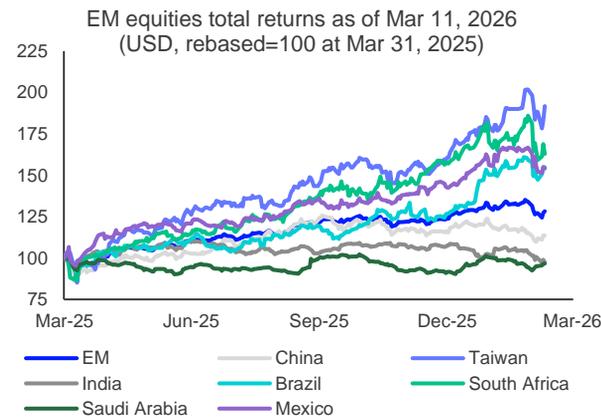


Chart 4: EM government bonds (10.4%) outperformed DMs (5.7%) over 12M & the momentum continued YTD. Both domestic returns & FX have driven 29-39% returns over 12M in South Africa, Mexico, and Brazil.

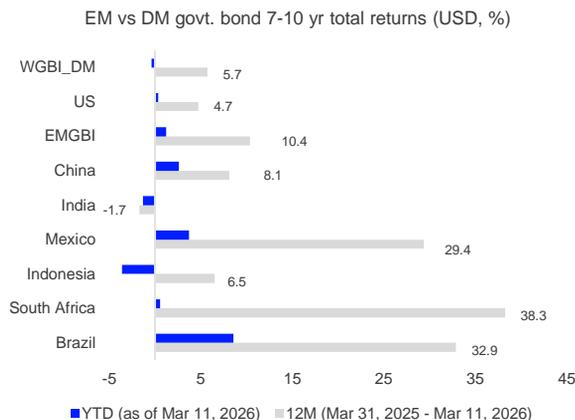


Chart 1: EM equity outperformance vs DMs hasn't changed yet, YTD March 11. EMs continued to outperform in Technology, Financials, Industrials, and Health Care, despite lagging in Basic Materials (a reversal of 12M trend).

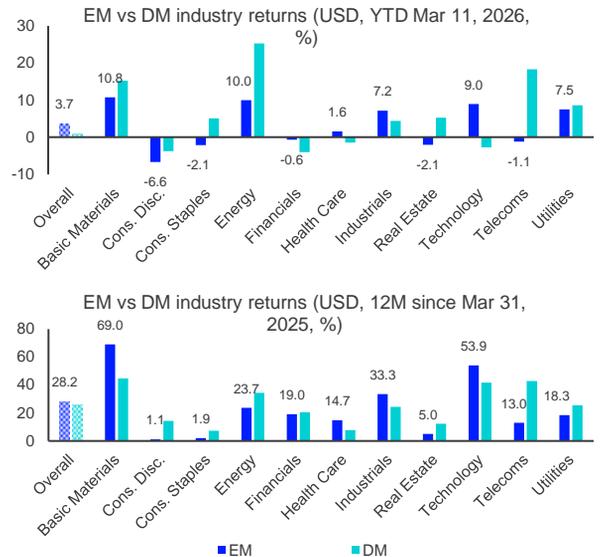
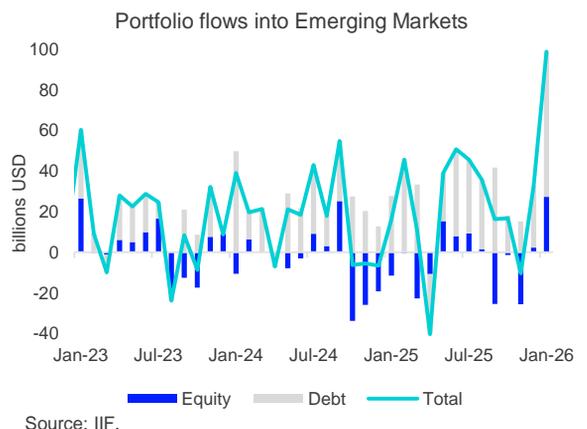


Chart 3*: Basic Materials had returned 21% YTD by end-Feb, before paring gains to 10.8% by Mar 11. All YTD Tech gains have come from Taiwan. Brazil has been the top YTD performer, benefitting from its oil exporting status.

	EM	China	Taiwan	India	Brazil	South Africa	Saudi Arabia	Mexico
Basic Materials	10.8	14.4	15.8	1.5	14.9	12.7	13.9	16.5
Cons. Disc.	-6.6	-5.6	-5.9	-12.6	12.8	-5.3	-11.1	1.8
Cons. Staples	-2.1	0.1	-8.2	-11.1	11.9	-4.0	1.1	8.0
Energy	10.0	22.3	19.7	-10.4	52.2	14.3	11.9	-
Financials	-0.6	-2.8	1.3	-9.8	21.0	1.6	6.8	13.4
Health Care	1.6	2.1	10.8	0.1	-2.4	19.0	-4.3	-
Industrials	7.2	10.0	30.7	-4.7	5.6	-0.5	-3.5	-3.1
Real Estate	-2.1	6.8	-7.0	-15.9	20.1	-4.1	3.4	5.3
Technology	9.0	-7.8	21.5	-23.2	-5.2	-15.1	-24.7	-
Telecoms	-1.1	-6.2	10.7	-14.8	33.3	9.9	0.6	14.7
Utilities	7.5	8.9	-	3.0	18.4	-	-6.0	-
Regional total	3.7	-1.7	19.2	-9.5	22.0	3.6	5.4	8.0

Chart 5: Net non-resident purchases of EM assets increased notably in Jan to near 100 billion USD, with Asia leading debt flows and Latin America topping equity flows. A favourable FX backdrop has supported EM assets.



Source: FTSE Russell/LSEG. All data as of February 28, 2026 unless otherwise stated. *Chart 3, markets are ordered by market capitalization (left=largest). Past performance is no guarantee of future results. This report should not be considered "research" for the purposes of MiFID II. Please see the end for important legal disclosures. Results in this report are for research / illustrative purposes and do not represent the official performance of the indices.

Commodities

Oil had spiked to >\$100/barrel by Mar 11, largely due to Middle East supply disruptions, but oil market is expected to stay well-supplied (thus a curve in backwardation). Precious metals (silver and gold) led 12M gains, while gold/silver ratio fell back near modern average of 60.

After weak performance in 2025, oil has staged a strong comeback in 2026, with YTD returns of 51.7% by March 11, particularly driven by the strong rally in March following escalation of the conflict in the Middle East (Chart 1). However, given the outlook of oil production remains positive, the price increase is expected to be short-lived: the oil forward curve shifted sharply into backwardation, particularly in near-dated contracts (Charts 4 & 5). The longer end of the forward curve shifted lower as markets increasingly price in a move toward oversupply, driven by strong production and subdued demand. Silver continued to rally, adding to 12M gains of 153%, far outperforming gold and other commodities, helped by a combination of industrial and investment demand. Gold drew support from investment demand (Chart 2), particularly ETFs, and safe-haven buying as geopolitical risk remains elevated amid Middle East tensions. Central banks continue to diversify their reserve assets by increasing holdings in gold while scaling back allocations to US Treasuries (Chart 3).

Chart 2: Investment demand for gold almost doubled in 2025, exceeding that from jewellery. This sharp increase was largely driven by gold ETF demand, which hit the highest level since the 2020 Covid spike.

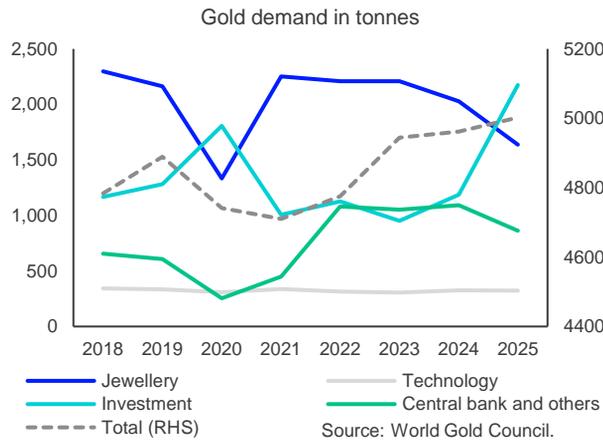


Chart 4: Brent futures are >\$100/barrel (12 March) due to the Middle East conflict. The curve is in backwardation, pricing a swift resolution, but delivery in 12M is still >\$8 more expensive than the end of Feb.

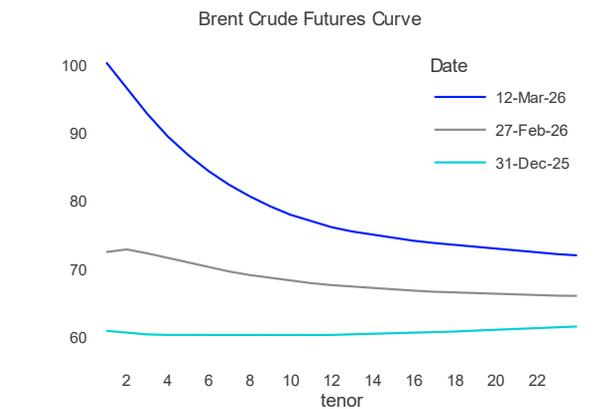


Chart 1: Oil rebounded strongly YTD (51.7%), largely driven by March moves, as geopolitical risk in Middle East added downside risk to the oil supply. Silver and gold gained another ~20% YTD, adding to 12M returns.

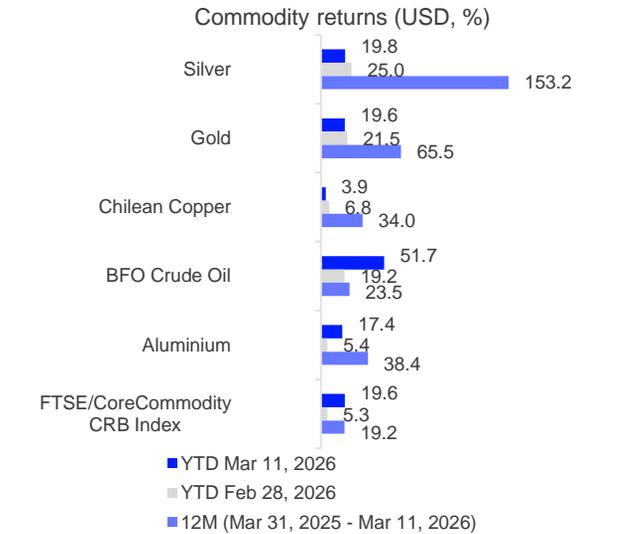


Chart 3: Despite a modest 2025 decrease in gold demand (in tonnes) by central banks, they have increased their allocation to gold measured by \$ (due to price rally) while steadily reducing their exposure to US Treasuries.

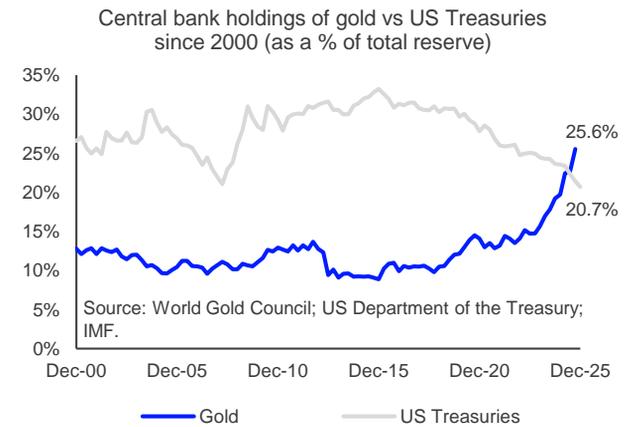
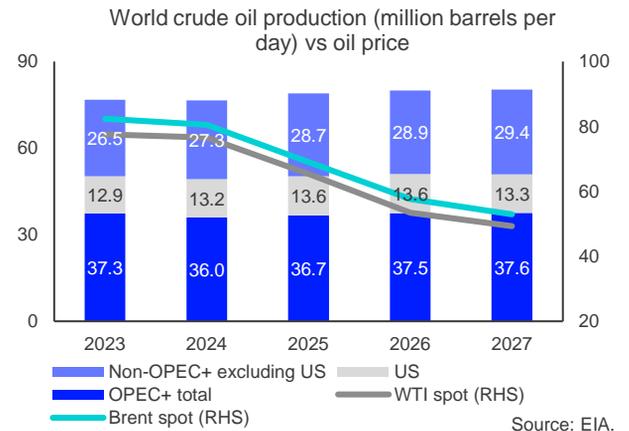


Chart 5: Despite near-term supply risks, the longer-term outlook is for a well-supplied oil market, helped by higher productions in both OPEC+ and Non-OPEC+.



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Listed Alternatives

Global Listed Infrastructure has outperformed Global Equity over 12M, in absolute and risk-adjusted terms. Meanwhile, headline Global Listed Real Estate has underperformed – but the Global index hides significant geographical and sector dispersion.

Listed infrastructure was driven by strong risk-adjusted performance of regulated utilities, and AI electricity demand expectations. The EM version was boosted by record expected infrastructure development in Brazil in 2026.

Within listed real estate, the top performing sub-sector over 12M was Diversified (41.0%), primarily reflecting much lower US exposure and US underperformance; market size in the US allows for mostly sector specific REITs whereas ex-US REITs are typically Diversified exposures. Healthcare also stands out (27.8% over 12M) with Healthcare REITs benefiting from the One Big Beautiful Bill (OBBA) Act & changes to Medicaid regulation which is increasing demand for medical properties.

Correlations of both Listed Infrastructure & NAREITs are below long-term averages against equity and bonds.

Chart 2: Brazil has benefited from expected infrastructure spend, across sectors, with an ongoing push toward public-private partnership models.

FTSE Core Infrastructure TR (USD)

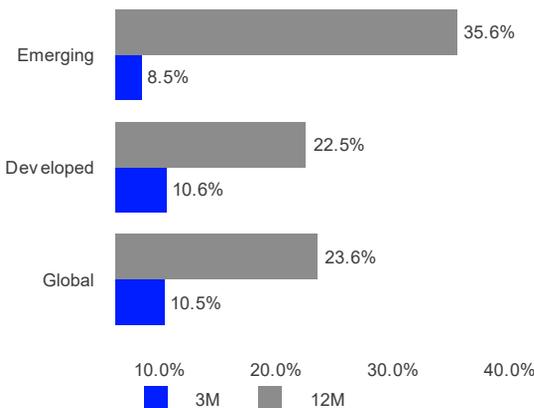


Chart 4: Infrastructure's correlation to equity is 0.45 relative to the average since inception of 0.64, this is in the c. 8th percentile of history.

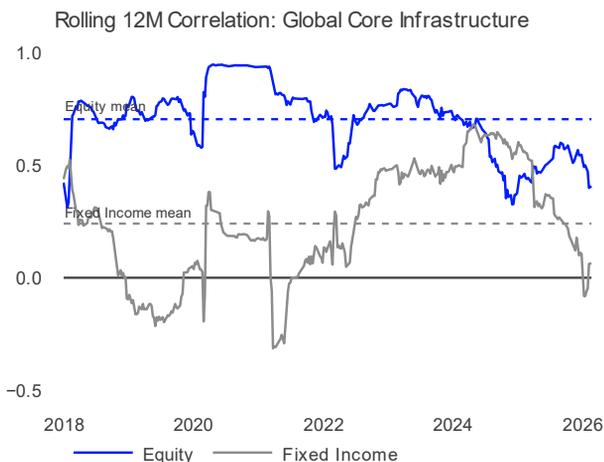


Chart 1: Global Core Infrastructure has outperformed equity over 12M whilst EPRA Nareit Global has underperformed at a headline level.

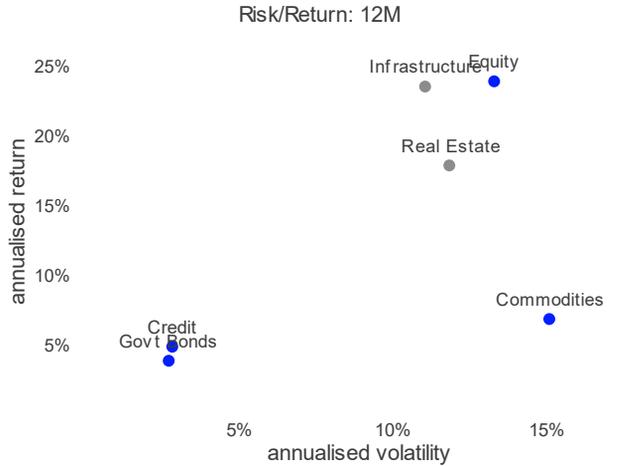


Chart 3: Over 12M Diversified REITs have returned over 40% in USD, driven by large global exposures while US REITs underperformed.

EPRA Nareit Developed TR (USD)

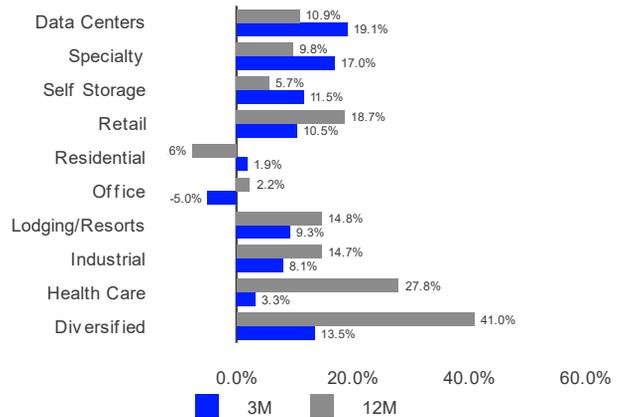
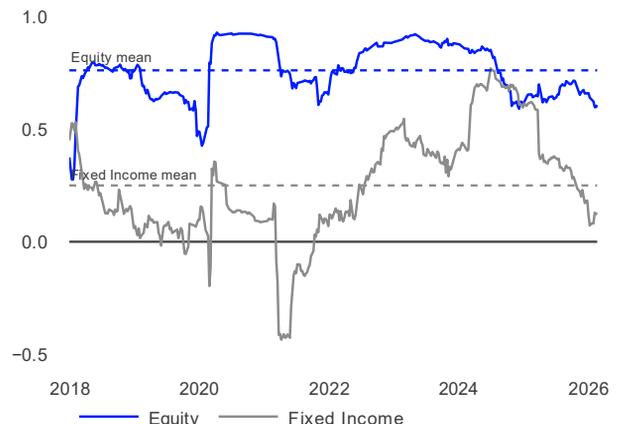


Chart 5: Listed property correlations to equity & bonds remain below trend, although decorrelations are less pronounced that Infrastructure.

Rolling 12M Correlation: EPRA Nareit Global



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Currencies

Markets maintained a weaker USD narrative until the outbreak of the Iran war, after which risk-off flows and safe-haven demand shifted dynamics. EM currencies posted strong 12M gains with below-average volatility.

Non-USD currencies, across DMs and EMs, continued the rally against the US dollar by the end of February. Australian dollar (8.7%) appreciated more than peers over 3M, largely driven by the expectation of rate hikes prior to the RBA move in February, in response to elevated inflation (Charts 1&3). South African rand (7.6%) gained traction from stricter inflation target by the central bank (improved credibility matters to investors) and attractive carry trade.

Japanese yen avoided weakening beyond USD/JPY 156 immediately after the election, as reassurances from the PM and FM on maintaining fiscal discipline supported confidence. However, the yen fell further to USD/JPY 159 in March as the market shifted to a stronger USD narrative.

EM currency volatility has declined sharply in MXN, ZAR, BRL. In contrast, some DM currencies have become more volatile relative to their historical means. As a result, the volatility gap has narrowed, and EM FX volatility is now comparable to - or in some cases even lower than - that of DM (Chart 5).

Chart 1: The narrative of a weaker USD prevailed until the Iran war. AUD led DM currency gains vs the USD over 3M, helped by the rate hike. Yen held up well post-election. Most EM currencies also posted 3M gains.

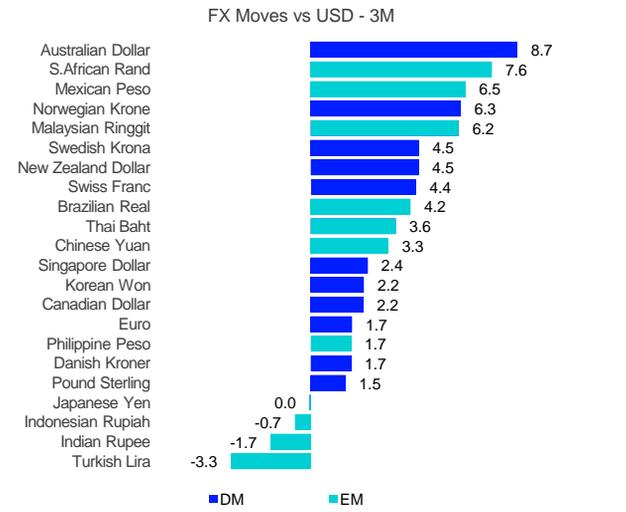


Chart 3: AUD has rallied strongly since early 2025, driven by favourable interest rate differential recently (markets had priced in an RBA rate hike before the Feb move). Higher commodity prices is another booster.

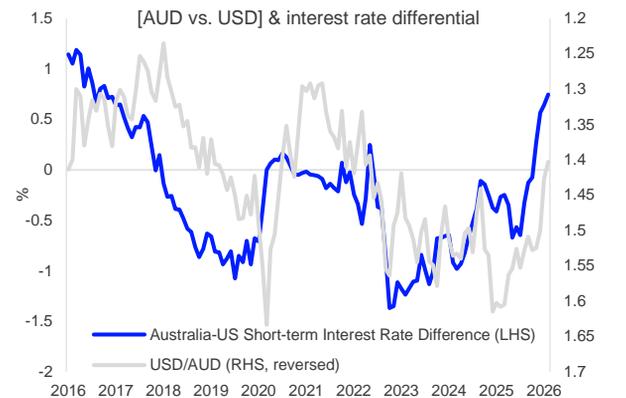


Chart 2: After the US dollar dived in 2025, valuation measures for the USD have settled near their 10Y averages. But US dollar has sharply strengthened in March, as the Iran conflict triggered haven demand.

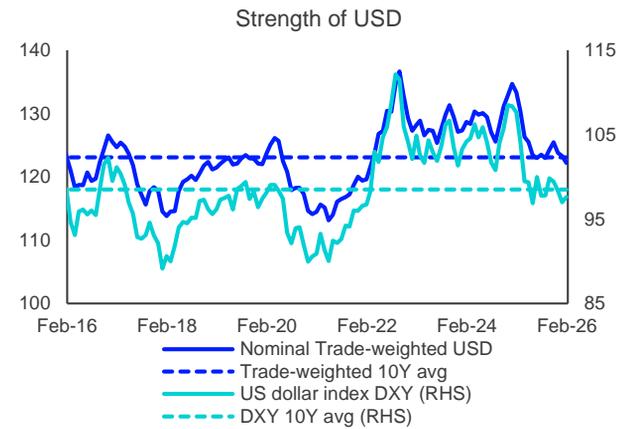


Chart 5: EM currency volatility has been well below historical norms recently, with 1Y average lower than 10Y, led by MXN/ZAR/BRL. DM currencies such as EUR/JPY/CHF have seen volatility increase.

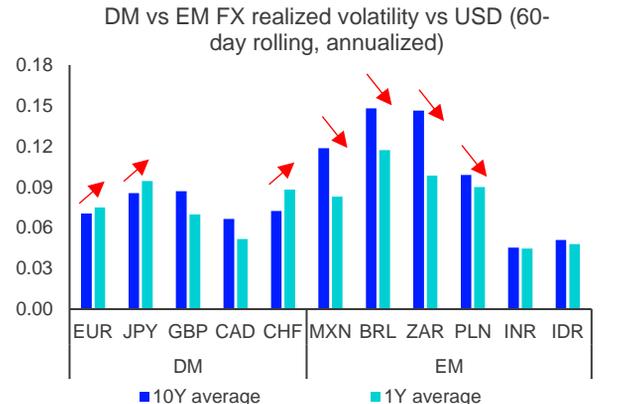
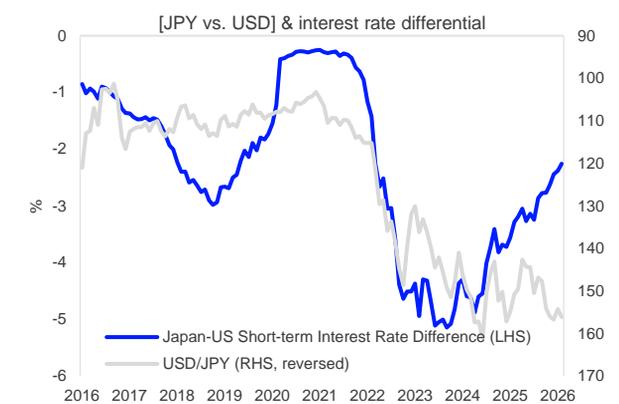


Chart 4: USD/JPY stabilized around 156 by end-Feb, as the yen avoided further depreciation following the election. US-Japan rate checks in Jan helped prevent yen falling towards the perceived intervention level of 160.



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Digital assets

Digital assets (DA) have fallen back since October 2025 (Chart 1), showing an increase in correlation to the Tech software sell-off (Chart 2 & 3).

Other factors could be at play, including a risk-off phase in markets. Rolling betas to the Russell 1000 have also increased amidst the sell-off (Chart 3). There is evidence, in Chart 4 of net fund outflows from Bitcoin.

Price weakness might not just be AI posing the same sort of threat to DAs as some software companies. Instead, general weakness across US tech may have driven price weakness in risk-on assets like Bitcoin and other DAs. Another key indicator is the slowdown in stablecoin market cap growth shown in Chart 5, reflecting a slowdown in available liquidity. Overall, the price weakness should be seen in the context of the explosive growth in 2023-25. Lastly, some positive sentiment could emerge in the leadup to 2028, as Bitcoin's block reward is set to halve, lowering new supply entering the market. If demand remains stable or increases, this tighter supply dynamic could place upward pressure on prices.

Chart 2: DA-Russell 1000 correlation fell in early 2025, then rose in September alongside weaker US equities. At 0.48, the correlation suggests some spillover into crypto, and a bout of risk-off in markets.

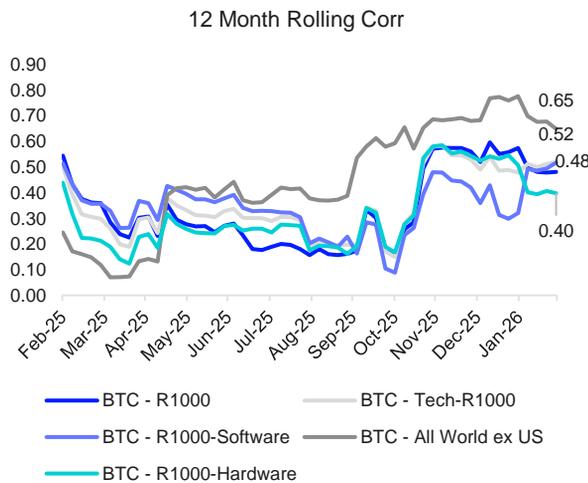


Chart 4: Net fund flows show reduced investor demand for BTC since October. Bouts of risk-off in markets, like tariff turbulence in March/April 2025, also show lower net fund flows into BTC.

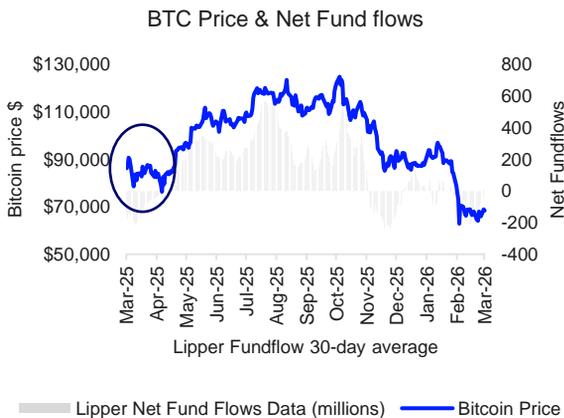


Chart 1: Digital assets started 2025 strongly, outperforming gold. But losses in crypto since October have been correlated with weaker US Tech returns, though they follow strong performance in 2023-25.

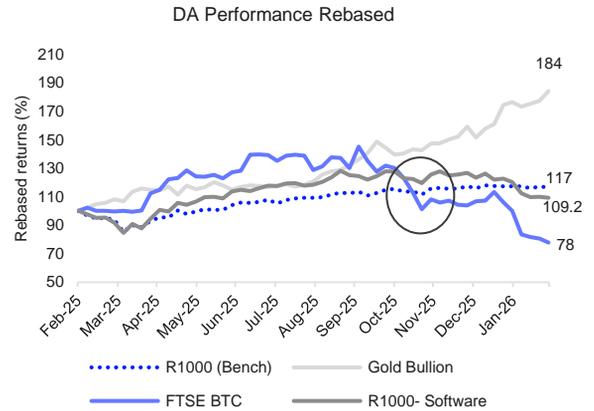


Chart 3: Rolling Betas tell a similar story, declining during early 2025 as both Bitcoin and Tech software rallied. But Bitcoin and Ethereum betas have increased during the Tech software sell-off since October 2025.

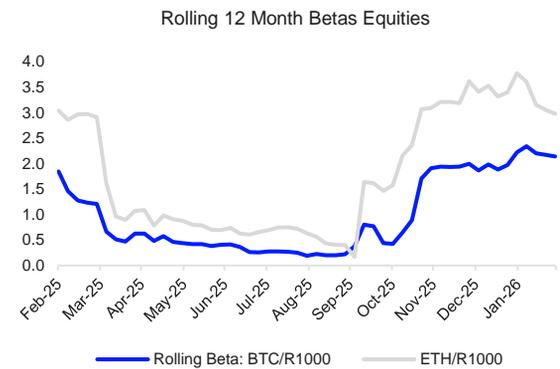
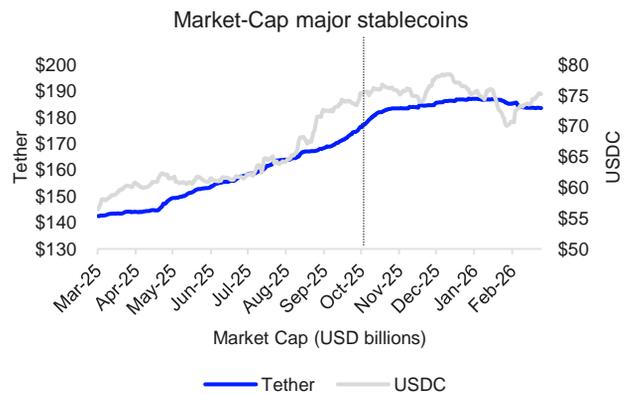


Chart 5: Market cap growth in major stablecoins has slowed since October 2025, suggesting a moderation in new liquidity entering the digital asset ecosystem. But, stablecoins have retained their stability to the 1:1 pegs.



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Cross-Asset: Equities, Fixed Income, and Commodities

Macro and cross-asset indicators suggest equities remain relatively rich vs bonds and suggested by real economy, while realigning their values vs gold over 10Y. US-Iran conflict may lead to higher risk premia and lower stock-bond correlation.

The US stock-bond ratio has diverged from levels suggested by PMIs, since the 2022 rate hikes. Equity valuations relative to the real economy has climbed to a 10Y high. While one-off shocks to equities, such as tariffs, proved short-lived, it remains to be seen if the Iranian conflict will be more durable. Although US equities have reached 10Y highs relative to bonds and the real economy, their valuations vs. gold have fallen back to levels seen a decade ago.

US equity and high yield risk premia rebounded, alongside a lower risk-free rate. Elevated geopolitical tensions may lead to higher risk premia, as investors demand greater compensation during periods of high uncertainty (like in Covid and Ukraine crisis).

Correlations between equities & bonds have fallen into negative territory, but the ongoing tensions between the US and Iran may drive correlation lower, as a risk-off sentiment would favour bonds relative to equities.

Chart 1: Manufacturing PMI increased to 52.6 in January (before falling modestly to 52.4), the highest since Aug 2022, suggesting economic activity in the manufacturing sector is expanding. Stock-bond ratio has stayed significantly higher than the level implied by PMI.

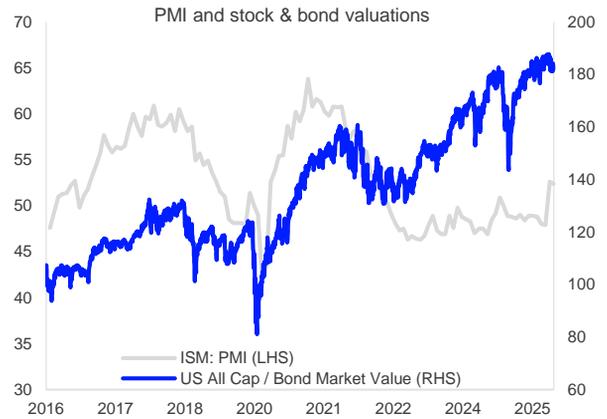


Chart 3: Equity-gold ratio has been mostly falling in recent 2 years, except for a short rally following the tariff related sell-off. As a result, gold has realigned with equity returns over a 10-year horizon.

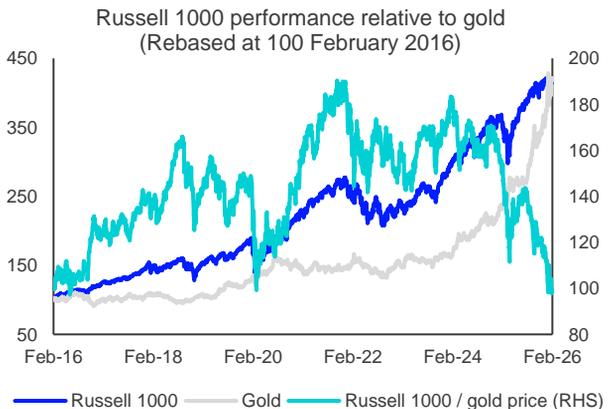


Chart 5: Stock-bond correlation has fallen further in 2026, majorly due to pro-growth monetary policies driving equity outperformance. US-Iran tensions may reinforce the lower correlation between equities and bonds.

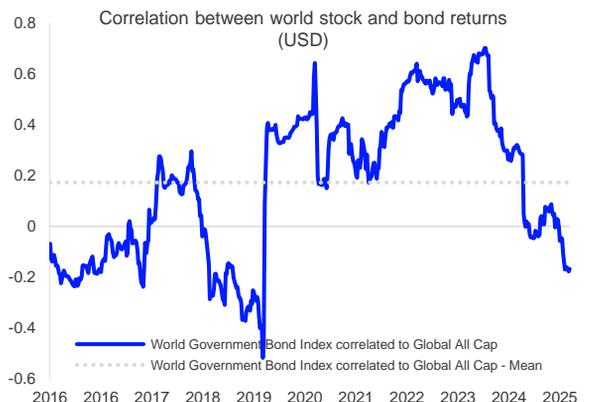


Chart 2: Helped by the recent strong rally, the Commodity index's relative weakening vs equities has stalled in 2026. The relative performance vs bonds has also picked up.

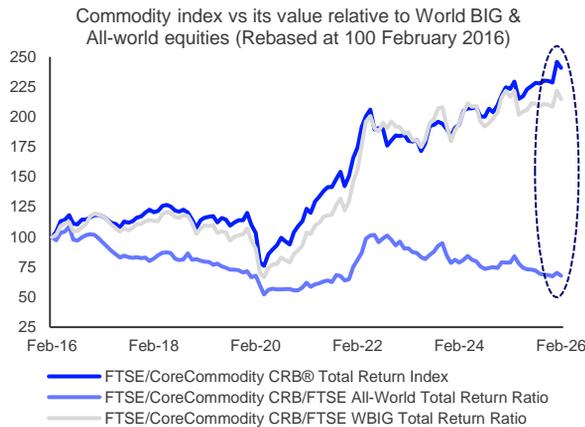
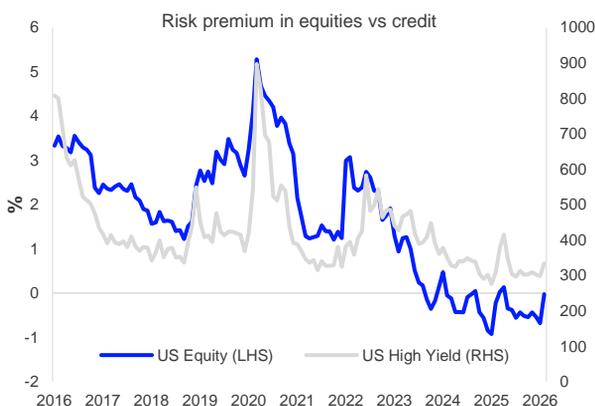


Chart 4: US equity and HY risk premia widened in Feb, primarily reflecting a lower risk-free rate. Ongoing geopolitical tensions are likely to push risk premia higher, similar to spikes during Covid and Russia-Ukraine shocks.



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Cross Asset: Return and Risk (continued)

Gold continued to dominate 1Y absolute returns, while Dev APAC ex Japan equities had the highest risk-adjusted return. By end-Feb, broader trends of EM equities outperforming DMs and the US underperforming All-World remained intact. Within Fixed Income World IG Corporates overtook World HY as the top risk-adjusted performer.

Developed APAC ex Japan equities, the top risk-adjusted performer (Chart 1), was largely driven by South Korea, which returned 187.5% in USD and has a 46% weight in the regional index. Investment demand for gold (primarily via ETFs), resilient central bank buying, and elevated geopolitical tensions have supported gold price (1Y return of 84.6%, topping other major asset classes). Global Core Infrastructure 1Y returns (24.6%) were in line with All-World equities, after 3M rallies. EPRA Nareit Global (19%) also rallied, outperforming Russell 1000 (16.7%). Consistent declines in oil price had stalled by end-February, before surging sharply amid the escalation of US-Iran tensions.

Within fixed income, over 1Y, World inflation-linked (11.7%) outperformed World Govt 7-10yr and WBIG Corp (both near 10%), while World High Yield (9.6%) – a persistent 1Y leader within Fixed Income since mid-2025 and still the 3Y leader – has recently lagged. On a risk-adjusted basis, WBIG Corp (2.95) became the top performer in Fixed Income, over 1Y, replacing World HY (2.78), and also exceeded EM & Japan equities and FTSE 100 (all below 2.9). US assets - across equities, corporate bonds, and both nominal and inflation-linked government bonds - lagged global peers. 1Y volatility has generally decreased in Fixed Income vs increased among equities, compared to a year ago. 1Y vs 3Y annualised total returns have improved more in Real Estate, Infrastructure, and Fixed Income relative to Equity, leading to risk-adjusted returns higher than or comparable to Equity (Chart 2). This shift likely reflects de-risking away from richly valued equities.

Chart 1: Over 1Y, gold delivered remarkable returns of 84.6%, significantly outperforming all the other asset classes. Dev APAC ex Japan (77%) far outperformed its equity peers, majorly helped by South Korea (187.5%). Russell 1000 (16.7%) lagged All-World ex US (40.7%). EM equities (35.4%) outperformed All-World (25.2%). Global Core Infrastructure (24.6%) was almost on par with All-World equities, outperforming EPRA Nareit (19%) and fixed income assets (5-11.7%). In terms of return/risk ratio, Dev APAC ex Japan (4.6), gold (4.4), WBIG Corp (2.95), EM equities and FTSE 100 (both 2.9) are among the top performers, while oil (-0.0), Russell 1000 (1.0), and US bonds (1.2-1.5 for Govt., Tips, and IG Corp) underperformed.

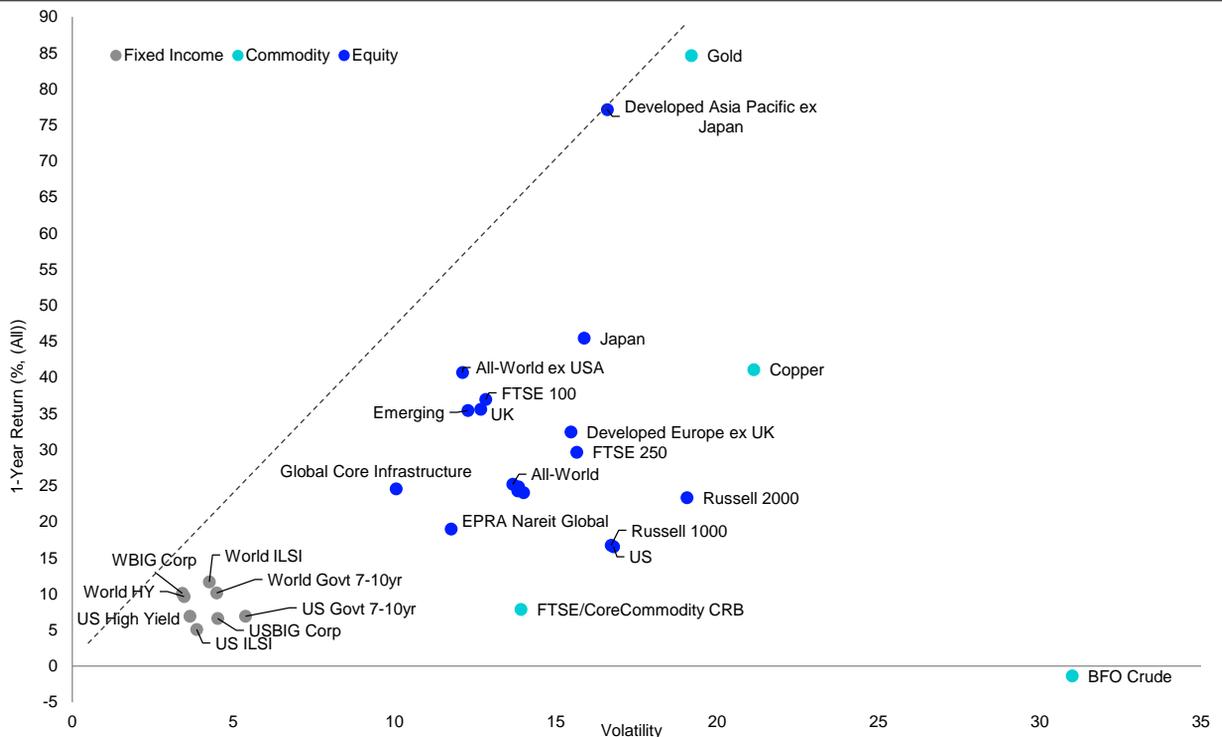


Chart 2: 1Y annualised risk-adjusted returns for Fixed Income, Real Estate, and Infrastructure were more than twice their 3Y annualized return/risk.

1Y Annualised	Income Yield %	Return/Risk	Risk	Total Return
Equity	1.8	1.8	13.7	25.2
Fixed Income	3.7	2.5	3.5	8.8
Commodities	--	0.6	13.9	7.9
Real Estate	4.0	1.6	11.7	19.0
Infrastructure	3.3	2.4	10.0	24.6

3Y Annualised	Income Yield %	Return/Risk	Risk	Total Return
Equity	2.0	1.6	12.6	20.6
Fixed Income	3.9	0.9	5.7	5.3
Commodities	--	0.7	13.5	9.4
Real Estate	4.2	0.7	14.6	9.7
Infrastructure	3.5	1.1	12.2	13.8

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Cross Asset: Correlations

After the inflation shock of 2022, correlations broadly declined inter- and intra- asset class into 2025 reinforcing diversification benefits in portfolios. Whilst correlations are modestly higher over 3M in places, they remain largely below 10Y averages and data doesn't point to pervasive resynchronization of returns.

The bottom-left of chart 1 shows 10Y correlations, whilst the top-right of the matrix shows current 12M correlations. On visual inspection, the bottom half is lighter amongst the bond and commodity block (correlation near 0), with darker greens (correlation near 1.0) amongst the equity block, when compared to the top half. Considering key equity markets: the US and Developed ex US correlation declined to 0.65 from a long-term average of 0.71 and the US and EM is at 0.45, roughly in line with long-term averages.

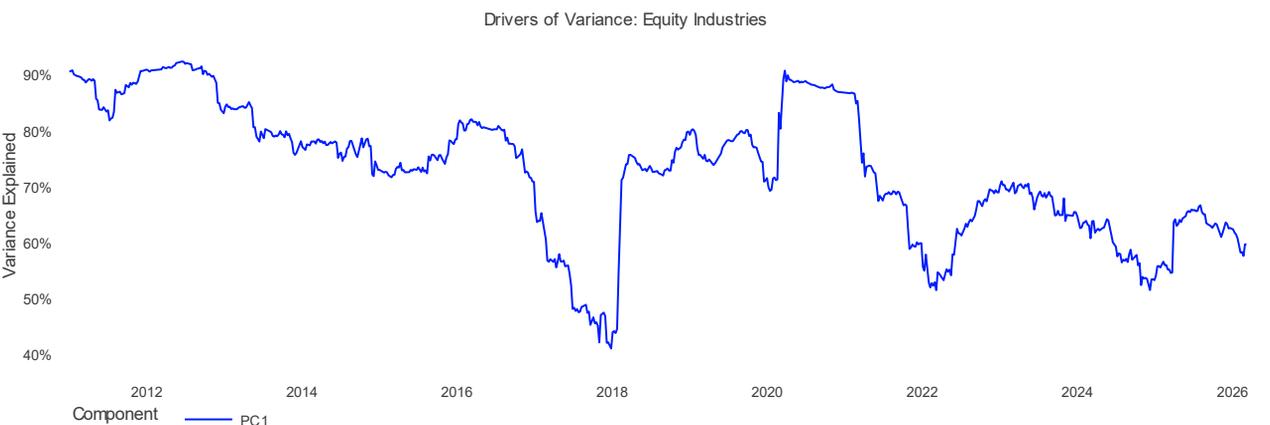
Cross-asset, Global Government Bonds exhibit negative correlation against major equity indices reflecting how the protective role of bonds in portfolios has reinstated as yields have risen. Gold has had a near zero correlation to equity (0.02) and global government bonds (-0.05), effectively moving independently to both.

In Chart 2 we show an alternative measure looking at FTSE All-World industry and seeing what percentage of variance can be explained by a single factor. Currently circa. 60% is explained by the first principal component, relative to the 10Y average of 68%. The implication is that, relative to history, there is a greater opportunity set for alpha generation through selection for those able to take granular positions, and benefits to diversification from those who can't.

Chart 1: Correlation matrix showing both the 10-year and the 12-month correlations. The portion of the matrix below the diagonal is 10-year correlations with the top half of the matrix showing 12-month correlations; weekly total-return data. Visually we see inter- and intra- asset correlations are below long-term trends. Among key pairs: US and Emerging is at 0.45; FTSE All-World and WGBI Hedged USD exhibits negative correlation at -0.23.

	10-year vs. 12-month Correlation																
All World	1.00	0.96	0.84	0.85	0.73	0.63	0.62	0.66	-0.23	-0.10	-0.15	0.05	0.02	0.51	-0.16	0.45	0.64
US	0.96	1.00	0.65	0.69	0.55	0.42	0.44	0.45	-0.36	-0.24	-0.29	0.15	-0.01	0.43	-0.04	0.31	0.51
Dev ex US	0.87	0.71	1.00	0.96	0.91	0.84	0.84	0.78	0.03	0.13	0.10	-0.12	0.13	0.55	-0.32	0.62	0.75
Dev Euro ex UK	0.82	0.68	0.94	1.00	0.89	0.72	0.68	0.72	-0.06	0.01	0.01	-0.12	0.13	0.59	-0.35	0.53	0.70
UK	0.78	0.63	0.90	0.89	1.00	0.72	0.70	0.69	0.05	0.18	0.13	-0.04	0.11	0.54	-0.21	0.58	0.73
Dev APAC ex Japan	0.75	0.58	0.86	0.72	0.70	1.00	0.68	0.82	0.21	0.32	0.25	-0.06	0.00	0.41	-0.24	0.52	0.60
Japan	0.66	0.51	0.79	0.60	0.58	0.73	1.00	0.63	0.13	0.18	0.19	-0.19	0.13	0.33	-0.30	0.65	0.67
Emerging	0.66	0.47	0.74	0.64	0.63	0.80	0.63	1.00	0.20	0.30	0.27	-0.14	-0.13	0.37	-0.33	0.44	0.54
WGBI Hgd	0.22	0.20	0.24	0.18	0.20	0.27	0.27	0.14	1.00	0.86	0.98	-0.49	-0.05	-0.31	-0.38	0.14	0.20
ILSI Hgd	0.25	0.24	0.21	0.13	0.21	0.25	0.20	0.14	0.64	1.00	0.90	-0.16	-0.05	-0.12	-0.08	0.10	0.25
World BIG Hgd	0.31	0.28	0.32	0.26	0.28	0.34	0.33	0.22	0.98	0.64	1.00	-0.44	-0.07	-0.25	-0.34	0.16	0.26
CRB	0.20	0.20	0.15	0.05	0.16	0.24	0.11	0.22	-0.20	0.11	-0.16	1.00	0.08	0.27	0.91	-0.08	-0.05
CRB Gold	0.20	0.13	0.28	0.22	0.23	0.31	0.24	0.25	0.18	0.18	0.18	0.30	1.00	0.28	-0.04	0.13	0.10
CRB Copper	0.41	0.32	0.48	0.44	0.44	0.48	0.33	0.47	0.00	0.15	0.05	0.46	0.42	1.00	0.00	0.21	0.34
CRB Crude Oil	0.09	0.11	0.01	-0.08	0.05	0.09	0.01	0.07	-0.21	0.11	-0.18	0.89	0.17	0.25	1.00	-0.15	-0.15
Global Core Infrastructure	0.64	0.58	0.63	0.54	0.60	0.59	0.50	0.41	0.43	0.50	0.49	0.16	0.31	0.27	0.09	1.00	0.74
EPRA Nareit Global	0.79	0.71	0.78	0.72	0.72	0.69	0.59	0.54	0.44	0.45	0.51	0.11	0.26	0.32	0.02	0.81	1.00

Chart 2: We monitor the percentage of total variance of FTSE All World Industry returns explained by the single largest factor – also known as the principal eigenvector. A higher number implies a single factor is dominating markets, reducing benefits of diversification. This measure has recently declined to 60%, implying less single factor dominance, and whilst above the 2024 low, 52% is low relative to the long-term history.



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Appendix 1: List of indices used in report

Name	Mnemonic/Code	Name	Mnemonic/Code
Russell 1000 Index	R1000	World Government Bond Index 1-3yr	WGBL_1-3
Russell 2000 Index	R2000	World Government Bond Index 7-10yr	WGBL_7-10
FTSE Global All Cap Index	GEISLMS	US Treasury 7-10yr	US_TSY7-10
FTSE All-World Growth Index	AWORLDSDG	UK 7-10yr	GB_TSY7-10
FTSE All-World Value Index	AWORLDSDV	Germany 7-10yr	DE_TSY7-10
Russell 1000 Growth Index	R1000G	Japan 7-10yr	JP_TSY7-10
Russell 1000 Value Index	R1000V	China 7-10yr	CN_TSY_7-10
FTSE USA Index	WIUSA	US Treasury 1-3yr	US_TSY1-3
FTSE UK Index	WIGBR	US Treasury 20+yr	US_TSY20+
FTSE Developed Europe Index	AWDEURS	UK 1-3yr	GB_TSY1-3
FTSE Developed Europe ex UK Index	AWDEXUKS	UK 20+yr	GB_TSY20+
FTSE Japan Index	WIJPN	Canada 1-3yr	CA_TSY1-3
FTSE Developed Asia Pacific ex Japan Index	AWDPACXJ	Canada 20+yr	CA_TSY20+
FTSE China Index	WICHN	Germany 1-3yr	DE_TSY1-3
FTSE Emerging Index	AWALLE	Germany 20+yr	DE_TSY20+
FTSE All-World Index	AWORLDS	Japan 1-3yr	JP_TSY1-3
FTSE Global Core Infrastructure Index	FGCII	Japan 20+yr	JP_TSY20+
FTSE EPRA Nareit Global Index	ENHG	World Inflation-Linked Securities Index 7-10yr	ILSI_7-10
FTSE Europe ex UK Index	AWEXUKS	US Treasury 5-10yr	US_TSY5-10
FTSE Asia Pacific ex Japan Index	AWPACXJA	US Inflation-Linked Securities Index 5-10yr	ILSI_US_5-10
FTSE USA All Cap Index	LMSUSA	Canada 5-10yr	CA_TSY5-10
FTSE Developed Index	AWD	Canadian Inflation-Linked Securities Index 5-10yr	ILSI_CA_5-10
FTSE All-World ex US Index	AWXUSAS	Germany 5-10yr	DE_TSY5-10
FTSE Global Large Cap Index	GEISLC	German Inflation-Linked Securities Index 5-10yr	ILSI_DE_5-10
FTSE Global Small Cap Index	GEISSC	UK 5-10yr	GB_TSY5-10
FTSE Developed Large Cap Index	LCD	UK Inflation-Linked Securities Index 7-10yr	ILSI_GB_7-10
FTSE Developed Small Cap Index	SCD	Japan 5-10yr	JP_TSY5-10
FTSE Developed Growth Index	DGWLD	Japanese Inflation-Linked Securities Index 5-10yr	ILSI_JP_5-10
FTSE Developed Value Index	DVWLD	Japanese Inflation-Linked Securities Index 7-10yr	ILSI_JP_7-10
FTSE/CoreCommodity CRB® Index	RJFCRT	FTSE World Broad Investment-Grade Bond Index (WorldBIG®)	WBIG
Russell 2000 Implied Volatility Index	RVX	World Broad Investment-Grade Bond Index Corporate	WBIG_CORP
FTSE India Index	WIIND	US Broad Investment-Grade Bond Index Corporate	BIG_CORP
FTSE Indonesia Index	WIINDN	Euro Broad Investment-Grade Bond Index Corporate	EBIG_CORP
FTSE Malaysia Index	WIMAL	Emerging Markets US Dollar Broad Bond Index Corporate – Investment-Grade	EMBBI_CORP_IG
FTSE Philippines Index	WIPLH	US High-Yield Market Index	HY_MKT_US
FTSE Taiwan Index	WITWN	Pan-European High-Yield Bond Index - EUR	EUROPE_HYM_EUR
FTSE Thailand Index	WITHA	Emerging Markets US Dollar Broad Bond Index Corporate – High-Yield	EMBBI_CORP_HY
FTSE Czech Republic Index	WICZH	FTSE World High-Yield Bond Index	WHYM
FTSE Saudi Arabia Index	WISAU	US High-Yield Market Index BB	HY_2B
FTSE South Africa Index	WIZAF	US High-Yield Market Index BB	HY_1B
FTSE Brazil Index	WIBRA	US High-Yield Market Index CCC	HY_3C
FTSE Colombia Index	WICOL	Pan-European High-Yield Bond Index – EUR BB	EUROPE_HYM_EUR_2B
FTSE Mexico Index	WIMEX	Pan-European High-Yield Bond Index – EUR B	EUROPE_HYM_EUR_1B
FTSE All World Basic Materials	F1AWBM\$	Pan-European High-Yield Bond Index – EUR CCC	EUROPE_HYM_EUR_3C
FTSE All World Consumer Discretionary	F1AWCS\$	WGBI Developed Markets 7-10yr	WGBL_DM_7-10
FTSE All World Consumer Staples	F1AWCG\$	EMGBI 7-10yr	EMGBI_7-10
FTSE All World Energy	F1AWO1\$	Brazilian GBI 7-10yr	BR_TSY_7-10
FTSE All World Financials	F1AWFN\$	Mexican GBI 7-10yr	MX_TSY_7-10
FTSE All World Healthcare	F1AWH1\$	Indian GBI 7-10yr	IN_TSY_7-10
FTSE All World Industrials	F1AWID\$	Indonesian GBI 7-10yr	ID_TSY_7-10
FTSE All World Technology	F1AWG1\$	South African GBI 7-10yr	ZA_TSY_7-10
FTSE All World Telecommunications	F1AWT1\$		
FTSE All World Utilities	F1AWU1\$		
FTSE All World Precious Metals & Mining	F3AWMM\$		
FTSE All World Industrial Materials	F3AWPF\$		
FTSE All World Chemicals	F3AWC3\$		
FTSE All World Industrial Metals	F3AWIU\$		

Appendix 2: Methodology Reference Guide

Report calculations

- Unless noted otherwise, all performance calculations are in US dollar.
- All credit spreads are with reference to the US 7-10 year Treasury bond index.
- Option-adjusted spread percentiles are calculated by comparing current index-level spreads to a fixed, historic 10-year window of month-end index-level OAS.
- Risk premium in equity is calculated as the earnings yield (E/P) of the All-World Developed index minus the yield of US Treasury 7-10 years. Risk premiums in high yield are their credit spreads relative to yield of US Treasury 7-10 years.
- Correlation matrix among asset classes is calculated using weekly returns over the time frame of analysis mentioned in the chart heading.
- Dendrogram for cluster analysis similarly uses weekly total returns in USD over the time frame of analysis.
- All data is as of February 28, 2026, unless otherwise stated.

Appendix 3: Geopolitical flash points

Geopolitical flashpoint

For analysis looking at historical market reactions around geopolitical events we use the following table of events

Start Date	Event
22-Sep-80	Iran-Iraq War
02-Apr-82	Falklands War
01-Jan-84	Tanker War
01-Jan-86	Saudi Oil Price Collapse
02-Aug-90	Iraq Invasion of Kuwait
17-Jan-91	Operation Desert Storm
21-Jul-95	Third Taiwan Strait Crisis
16-Dec-98	Operation Desert Fox
24-Mar-99	Kosovo War NATO Air Campaign
03-May-99	Kargil War
11-Sep-01	September 11 Attacks
07-Oct-01	United States Intervention in Afghanistan
02-Dec-02	Venezuela Oil Strike
20-Mar-03	Iraq War 2003 Invasion
11-Mar-04	Madrid Train Bombings
07-Jul-05	London Bombings
12-Jul-06	Israel Hezbollah War
07-Aug-08	Russia Georgia War
11-Feb-11	Arab Spring Egypt
15-Feb-11	Libya Civil War
18-Mar-11	Syrian Civil War
27-Feb-14	Crimea Seizure
10-Jun-14	ISIS Captures Mosul
26-Mar-15	Yemen War
12-Jul-16	South China Sea Tribunal Ruling
07-Apr-17	United States Strike on Syrian Airbase
14-Apr-18	United States United Kingdom France Syria Strikes
08-May-18	United States Withdrawal from Iran Nuclear Deal
26-Feb-19	India Pakistan Crisis Balakot Airstrike
12-May-19	Strait of Hormuz Tanker Sabotage
20-Jun-19	Iran Shoots Down United States Drone
14-Sep-19	Abqaiq Khurais Attack
03-Jan-20	Killing of Qasem Soleimani
24-Feb-22	Russia Ukraine War Full Scale
07-Oct-23	Israel Hamas Escalation
13-Apr-24	Iran Israel Direct Missile Exchange

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